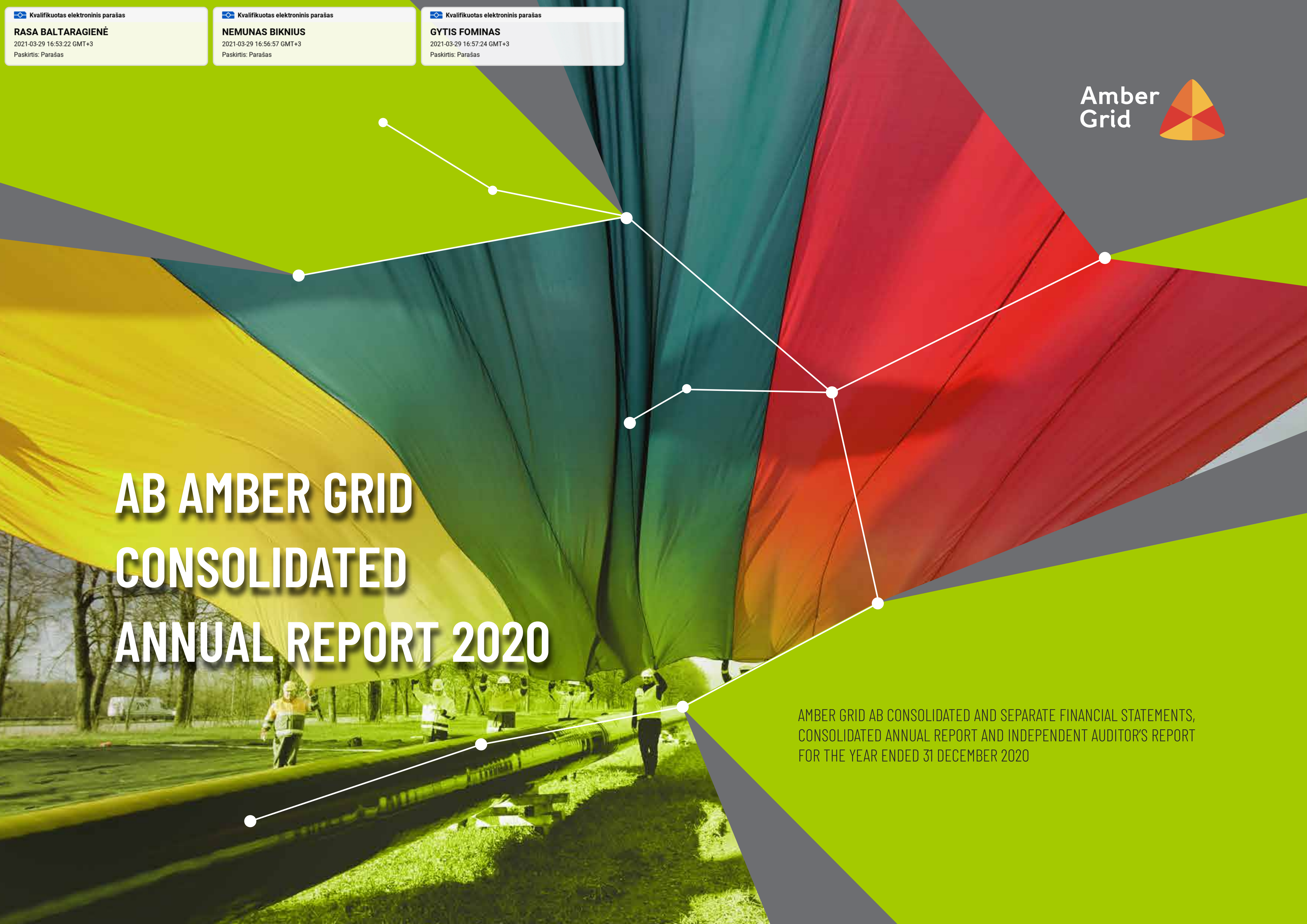
Amber Grid



AB AMBER GRID CONSOLIDATED ANNUAL REPORT 2020

AMBER GRID AB CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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1. OVERVIEW

1.1. ADDRESS BY THE CHAIRMAN OF THE BOARD

Dear All,

I am proud to present the annual report of Amber Grid, a Lithuanian gas transmission system operator belonging to the EPSO-G group of companies, for 2020. It shows that despite the significant changes in the operating conditions caused by the COVID 19 pandemic, the professionalism and co-operation of the company's employees helped Amber Grid smoothly ensure stable and profitable operation of the company and pro-actively continue the implementation of important projects for energy security and regional integration.

In 2020, the benefits of Amber Grid's targeted development of gas transmission infrastructure and regional market integration became more than obvious. The developed infrastructure ensured flows that meet the needs of gas system users and allowed market participants to take advantage of the extremely favourable prices in the global gas market.

The positive dynamics of Amber Grid's results were mainly influenced by the significant increase in the volume of gas transmission services to Latvia due to the favourable gas prices and the start of the connection between Estonia and Finland, as well as by the significant increase in gas consumption in the country's energy sector. This was offset by lower revenues at the beginning of the year due to warmer weather, as well as a lower service tariff applied to Lithuanian gas transmission system users.

After completing the necessary preparatory work, on 1 January 2020, the regional gas exchange GET Baltic, operating in the Lithuanian, Latvian and Estonian markets, started operating in Finland, becoming one regional trading platform for the Baltic and Finnish gas market participants. This contributed to price convergence in the region and facilitated cross-border trade between the Finnish and Baltic gas markets.

The very positive thing is that with the construction of the international gas transmission connection to Poland GIPL, due to proper project work planning and risk management ensuring project quality, 60 percent of the project work was completed in just one year. To finance the GIPL project, a contract was signed with the European Investment Bank on very good terms for a loan of EUR 65 million for a term of up to 18 years. This shows the recognition of the importance of this project.

The fact that in 2020 the most difficult GIPL gas connection works were carried out beneath the country's largest rivers and that the section was tested and connected to the gas transmission system allows us to feel confident that all the works of this important project will be completed on time by the end of 2021. It is now important, in cooperation with the partners of the region, to find solutions as to how to increase the efficiency of the use of the economic potential of the new connection.

We continued other important planned works - the new strategy of Amber Grid, in which, based on the results of RAIDA 2050, the most important directions of the company's activities for the next decade were identified, gained clear contours.

Having regard to the directions of sustainable development set out in the European Commission's strategy "The European Green Deal", the growing demand for green gas in Europe is expected. Contributing to the promotion of green energy development in Lithuania, the connection of biomethane producers' systems to the common gas transmission network is planned for 2021. We also evaluate the possible implementation of hydrogen transportation technologies through natural gas pipelines.

All of this was not easy to do, especially when working remotely. We also see that the risks of COVID-19 have not gone away and that much more and focused work will be needed in the near future to neutralise the impact of the pandemic on the ongoing projects. We therefore continue to monitor the situation closely and must be constantly prepared to adjust our actions accordingly if necessary.

Each of us can be proud of the results achieved in 2020. As a result, looking confidently at the ambitious goals for 2021, I would like to express my sincere gratitude to every employee, shareholder, board and committee member of the group. For professionalism. For cooperation. For the ability to see the emerging opportunities. For the determination not only to pursue, but also to exceed the set goals in creating the country's energy future.

Sincerely yours,

Algirdas Juozaponis.

Chairman of the Board of Amber Grid

1.2. ADDRESS BY THE CHIEF EXECUTIVE OFFICER

Working at Amber Grid, one of the key companies in the Lithuanian energy system, we have a duty not only to create favourable conditions for energy transmission, but also to maintain a safe environment. The pandemic reality has exposed the vulnerabilities of societies, businesses and the environment and has given a clear sense that we must contribute to a sustainable world through more sustainable action. Industry, business, large and small organisations, which have talked about green goals over the past decade, turned to the environment, increased social responsibility during the pandemic, and rewrote operational strategies, linking them to sustainable performance indicators. We are also moving in this direction and making a strong effort to significantly reduce the company's environmental impact.

One of our top priorities is the health and safety of our employees. The focus on this area for a number of years paid off in 2020, when urgent action was needed to keep us capable to work and healthy. Today, I thank my colleagues because we have successfully moved to teleworking during long quarantines, and the staff who maintain the gas system have responsibly followed all the recommendations and measures.

The year 2020 for Amber Grid people started with great energy. In January, when the first steel pipes were delivered to Lithuania, the construction of the GIPL gas pipeline connection between Lithuania and Poland began. This is a strategic energy project that establishes energy freedom not only for Lithuania, but also for the entire Baltic region and Finland. In one year, as much as two-thirds of the entire gas transmission connection was installed due to the persistent efforts of Amber Grid's professionals and well-trained contractors. After complex technological works, the gas pipeline was built beneath the widest rivers of Lithuania, the Neris River and the Nemunas River. All this was done with the utmost respect for nature – the preservation of coastal forests, flora and fauna. To preserve another important legacy of humanity, history, large-scale archaeological excavations were carried out along the GIPL pipeline route, which helped to discover Stone Age settlements and medieval tombs. Working to protect the environment, history and the interests of local communities is a big responsibility for us. Last autumn, after inspecting a part of the installed pipeline, it was connected to the Lithuanian gas transmission system and started functioning as a full-fledged part of the system. Our goal is to install the pipeline by the end of 2021, and to offer GIPL capacity to the market by the beginning of 2022.

In 2020, the company's services were needed by the market like never before. In 2020, the Lithuanian gas transmission system, supervised and managed by dedicated Amber Grid employees, maintained extremely high loads. With the onset of the global COVID-19 pandemic at the beginning of the year, the sharp fall in gas prices, the well-developed gas transmission infrastructure and the start of gas connections between Estonia and Finland forced the flywheels of the gas market to turn faster. Due to these reasons, a record amount of 58 TWh of gas was transmitted through the Lithuanian gas system. Gas transmission to the north to Latvia, Estonia and Finland grew by a third. Gas consumption in Lithuania also increased, indicating that the importance of gas as a fuel is returning. The Elektrėnai Complex generated electricity from gas almost all year round, therefore last year more than 25 TWh of gas was consumed in Lithuania. This is the highest amount in the last 5 years.

Although challenging, 2020 was a financially successful year. The company managed to earn 52 million euros in revenue and increase its net profit. For the first time in the history of our activity, our subsidiary – the gas exchange GET Baltic - also operated profitably. The opening of the Finnish gas market at the beginning of 2020 and the launch of the Balticconector gas connection attracted many new customers and transactions. Last year was also a record year in terms of investments – in one year we invested 77 million euros in the GIPL gas pipeline connecting Lithuania and Poland. GIPL is the largest investment project in the history of Amber Grid.

After overcoming the year of pandemic, we have become more resilient to the challenges that lie ahead. We strive for greater business flexibility, a more mature approach to the customer, so that we can continue to successfully operate, earn revenue and manage the risks of volatility. Looking back to the year 2020, I thank Amber Grid employees, customers, partners and shareholders for their focus, assessment of the seriousness of the situation, cooperation and support. 2021 will be the year of implementation of a historic, strategic energy project – the GIPL installation, which will launch a new partnership with the gas transformation system of another EU member and our neighbour, i.e., the Polish gas transmission system, and the people who run it. This is the cornerstone of strengthening the security and integration of the gas system, when we are starting to prepare intensively for the energy transformation stage. Realizing the need for clean energy, we are ready for a vigorous journey towards green energy, preservation of the environment, ecology and atmosphere.

Nemunas Biknius,

Amber Grid

The Consolidated Annual Report covers the reporting period for the year 2020.

1.3. BASIC DETAILS

Name	Amber Grid AB (Amber Grid or the Company)
Legal form	Public limited liability company
Date of registration and name of register	25 June 2013, Register of Legal Entities
Legal entity code	303090867
Manager of the Register of Legal Entities	State Enterprise Centre of Registers
Authorised share capital	EUR 51,730,929.06
LEI code	097900BGMP0000061061
Registered office address	Savanorių pr. 28, LT-03116 Vilnius, Lithuania
Phone	+370 5 236 0855
Fax number	+370 5 236 0850
Email address	info@ambergrid.lt
Official website	www.ambergrid.lt

Amber Grid – the gas transmission system operator in Lithuania – ensures reliable and safe transportation of natural gas to its consumers through high pressure gas pipelines. The Company is responsible for the operation, maintenance and development of the Lithuanian gas transmission infrastructure consisting of a network of over 2,100 km-long gas pipelines and two gas compressor stations. A well-developed gas transmission infrastructure in Lithuania is convenient for transportation of large volumes of energy to the Baltic countries and Finland.

The Company is currently implementing a strategic energy project GIPL, which is intended to connect the gas transmission systems of Poland and Lithuania, as well as those of the Baltic countries and Finland with the European Union. As Amber Gird seeks to achieve the decarbonisation goals set forthe gas sector, it takes active measures to look into new technological and market solutions and create conditions for adapting the Lithuanian gas transmission system to the transportation of green gas, including hydrogen. Amber Grid also administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES).

Amber Grid is a part of EPSO-G UAB group of companies(hereinafter referred to as EPSO-G or EPSO-G Group). EPSO-G is a state-owned group of energy transmission and exchange companies, and EPSO-G UAB acts as a holding company of EPSO-G Group, with its shareholder's rights and obligations implemented by the Ministry of Energy of the Republic of Lithuania. For more information about EPSO-G UAB and EPSO-G Group, see the official website at www.epsog.lt.

Amber Grid controls 100% of the authorised share capital of GET Baltic UAB. GET Baltic UAB is a company holding the natural gas market operator's licence, organising and conducting trade on the natural gas exchange in Lithuania, Latvia and Estonia. For more information about GET Baltic UAB, see the official website at www.getbaltic.com.

AMBER GRID'S VISION

An innovative energy company in the integrated European gas network.

Innovative means applying advanced methods and techniques that allow working faster, more efficiently, and offering innovative solutions to customers and partners.

Integrated European gas network means the Baltic and the European gas markets both having access to the global LNG market, and interconnected by both physical infrastructure, a well-functioning market, and infrastructure usage rules, thereby enabling easy and flexible gas transportation and trade.

AMBER GRID'S MISSION

We provide effective and reliable gas transmission, create favourable conditions for competition in the gas market and for development of renewable energy sources.

Effective: we pursue the best results by working efficiently and optimising our operating processes.*Reliable:* we

transport gas to our customers safely and without any unplanned interruptions.

Favourable conditions for competition: we work to ensure flexible and convenient services and conditions for use of the transmission system by the existing and new gas market participants, allowing an easy access to gas from various sources.

Development of renewable energy sources: by administering the register of 'green' gas guarantees of origin and by implementing other initiatives, we seek for the development of production and trade of gas from renewable energy sources.

1.4. PERFORMANCE INDICATORS

	2020	2019	2018
Quantity of gas transported to domestic exit point, GWh	↑ 25.144	↑ 23.530	22.320
Quantity of gas transported to adjacent transmission systems[1], GWh	↑ 32.900	↑ 31.991	30.140
Number of systems users at the end of the period	↑ 108	↓ 105	106
Length of gas transmission pipelines, km	= 2.115	= 2.115	2.115
Gas distribution stations and gas metering stations (number of units)	↓ 67	= 68	68
Number of employees at the end of the period	↓ 319	↓ 316	329

[1] The transmission systems in the Republic of Latvia and Kaliningrad Region of the Russian Federation

1. The Company's performance indicators in 2018-2020.

1.5. SIGNIFICANT EVENTS

JANUARY

- The natural gas transmission prices approved by the National Energy Regulatory Council (the NERC) became effective from **1 January 2020**. In 2020, the average gas transmission price to meet the domestic consumer needs in Lithuania (for short-term and long-term services) decreased by over 16% (to 1.22 EUR / MWh) compared to the average price effective in 2019.
- As from **1 January 2020**, GET Baltic started its operations in Finland as a single regional trading platform for the gas markets of the Baltic countries and Finland. The trading in short-term and long-term natural gas products was launched on a virtual trading point of Finland by applying the implicit capacity allocation model. This contributed to the price convergence across the region and facilitated cross-border trade between the gas market participants in Finland and the Baltic countries.
- Amber Grid started the construction works of the gas interconnection with Poland (GIPL) on **2 January 2020**, when the construction contract signed at the end of 2019 came into effect.
- On **27 January 2020**, Amber Grid notified about its intention to become a solar energy generating consumer, and to generate almost half of electricity for its own needs from renewable energy sources. There are plans to install solar power facilities with the total capacity of around 1,400 kW by autumn 2021. It will account for about 40% of the Company's total need for electricity.

FEBRUARY

- On **28 February 2020**, Vilnius District Court passed a ruling in a legal action brought by MT Group UAB against Amber Grid regarding the decisions passed by the Commission for Procurement of the Gas Interconnection Between Poland and Lithuania (GIPL). The results of the tender for procurement of construction works were left unchanged by the Court.

MARCH

- As a result of announcing an emergency situation at a national level in Lithuania on **16 March 2020** due to the threat of COVID-19 pandemic, Amber Grid started implementing the following business continuity and preventive measures: appointed employees responsible for monitoring and reporting the situation to the Company's management; identified business units and employees undertaking the critical functions and administrating the main systems; implemented additional organisational measures at the system operation centre; planned technical and substitution measures in case of spread of the virus. The Company has reviewed its emergency management plan, prepared the following additional documentation and implementing measures: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, as well as resources and responsible individuals, etc.
- On **24 March 2020**, the Company's Board approved the arrangement with the parent company EPSO-G, based on which the borrowing and lending limit under a cash pool agreement was increased from EUR 10 million to EUR 35 million. EPSO-G's Audit Committee concluded that the arrangement was entered into on an arm's length basis, that it was fair and reasonable in respect of the shareholders who were not a party to the arrangement, because the arrangement would have positive impact on the financial performance of Amber Grid..

APRIL

- On **7 April 2020**, the Company's Board elected Mr. Nemunas Biknius as the CEO of Amber Grid. Until that date (since 28 October 2019), Mr. Biknius (Director for Strategy and Development) used to hold the position of an acting CEO.
- During the General Meeting of Shareholders held on **20 April 2020**, the Board of Amber Grid was elected for the new office term of four

years. The Company's Board consisting of five members included two independent members: Mr. Ignas Degutis, CFO of RB Rail SA (Rail Baltic), and Mr. Sigitas Žutautas, Director of Būsto Paskolų Draudimas UAB; and three representatives from the Board of the parent company EPSO-G UAB: Mrs. Renata Damanskytė-Rekašienė, Director for Legal and Corporate Governance, Mr. Rimvydas Štilinis, Director for Infrastructure, and Mr. Algirdas Juozaponis, CFO, who was elected as the Chairman of the Board during the first meeting of the new office term.

- On **22 April 2020**, the European Commission, Ministries of Energy, regulators and transmission system operators from Lithuania, Latvia, Estonia and Finland approved the Regional Gas Market Development Action Plan for the Baltic region. The Regional Gas Market Development Action Plan contains market integration measures for 2020-2022 aimed at developing a four-country wide gas transportation pricing mechanism, eliminating the cross-border tariffs, developing the related inter-TSO compensation mechanism, regional gas transmission system capacity allocation mechanism, data exchange principles, as well as common information systems intended to serve the regional gas market model.

MAY

- On **19 May 2020**, the gas transmission system operators from Lithuania and Latvia - Amber Grid and GAZ- SYSTEM - signed an agreement with an international consulting and engineering company AFRY (former Poyry) to conduct an independent expert study that will provide potential solutions for commercially optimal utilisation of the GIPL interconnection to be operated by both companies.
- On **22 May 2020**, Amber Grid signed an agreement with the Lithuanian Business Support Agency, based on which the EU support will be provided for the reconstruction of 14km-long sections of the main pipeline Vilnius-Kaunas.
- On **28 May 2020**, the NERC approved the natural gas transmission tariffs effective from 1 January 2021. The gas transmission tariffs in 2020 were exceptionally low due to one-off adjustments arising from refunding of additionally earned income and savings of expenditures in the previous years to the consumers. In 2021, the tariffs are expected to rebound to 2019 level, but they will still remain slightly lower. The gas transmission tariffs effective from 1 January 2021 are available at: https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2021

JUNE

- On **29 June 2020**, Amber Grid submitted the Ten-Year Gas Transmission Network Development Plan for consideration by the NERC. During 2020-2029, there are plans to implement the investment projects for the transmission system development that are aimed at diversifying the gas supply sources across Lithuania and the entire region, and at ensuring safe and reliable gas transmission system. Among the major projects included in the Ten-Year Plan of European gas transmission system operators, there is a plan to complete the project of gas interconnection between Lithuania and Poland (GIPL), enhance the gas transmission capacity between Lithuania and Latvia, and modernise the existing network facilities. The investments into gas transmission network over the next five years are expected to reach about EUR 229 million, half of which will be dedicated for the implementation of the GIPL project.
- On **29 June 2020**, an arrangement was signed between EPSO-G and Amber Grid regarding an amendment to the cash pool agreement, based on which the maximum borrowing and lending limit was increased up to EUR 40 million.
- The Extraordinary General Meeting of Shareholders of Amber Grid held on **29 June 2020** approved the decision passed by the Company's Board on 4 June 2020 regarding a loan agreement to be signed with the European Investment Bank (EIB), based on which a loan of EUR 65 million is to be granted to finance the construction of the Lithuanian part of the gas interconnection between Lithuania and Poland (GIPL) for themaximum term of 18 years.
- On **30 June 2020**, Amber Grid and the European Investment Bank (EIB) signed a loan agreement for the amount of EUR 65 million, which is intended to finance the construction of the Lithuanian part of the gas interconnection between Lithuania and Poland.

JULY

- **On 2 July 2020**, the complex horizontal directional drilling underneath the Neris River was successfully completed as a part of the GIPL project. For the purpose of mitigating the environmental impact, the section of the gas pipeline 20m below the river bottom was constructed and connected to the existing pipeline.

AUGUST

- On **4 August 2020**, the construction of the gas pipeline was started underneath the Nemunas River as a part of the GIPL project.
- On **17 August 2020,** Mr. Rimvydas Štilinis, a member of the Company's Board, submitted his request for resignation from the Board with effect from 13 August 2020.

SEPTEMBER

- In **September 2020**, the construction of the gas interconnection (GIPL) reached Alytus district. The completed part of the construction works accounted for 50% of the total expected project works.
- On **7 September 2020**, the regional geoinformational environment map REGIA of the Centre of Registers was supplemented with information about the gas transmission system operated by Amber Grid.
- Based on the decision of the Company's General Meeting of Shareholders held on **18 September 2020**, the audit firm was selected and the audit fee payment terms were agreed for the period 2020-2021. The decision was made to select PricewaterhouseCoopers UAB as the audit firm to conduct audit of the set of consolidated and company's financial statements of Amber Grid for 2020-2021 prepared according to International Financial Reporting Standards, as adopted by the EU, presented together with the consolidated annual report. In addition, the decision was made to set an audit fee for the maximum amount of EUR 161,568 (excl. VAT) for the aforementioned audit services (not in excess of EUR 80,784 (excl. VAT) per audit of each year's financial statements).
- On **22 September 2020**, Amber Grid signed an agreement with the Lithuanian Business Support Agency regarding modernisation of the gas distribution stations in Grigiškės, Vievis, and Kėdainiai. The project for the total value of over EUR 6 million will be implemented by 2023, half of which will be financed from the EU support funds.
- In **September 2020**, Amber Grid together with the transmission system operators from Latvia, Estonia and Finland and together with a foreign consulting company Artelys SAS, conducted and presented a study to the local government authorities and regulators, which analysed the potential benefits for the market from continuation of work related to formation of a single gas transmission tariff zone for the Baltic countries and Finland.

OCTOBER

- On **1 October 2020**, the NERC approved the Ten-Year Gas Transmission Network Development Plan for 2020-2029 that was presented by the gas transmission system operator Amber Grid. The plan is available on Amber Grid's official website at: https://www.ambergrid.lt/lt/perdavimo-sistema/perdavimo-sistemos-pletra/perdavimo-sistemos-pletros-planas.
- On **9 October 2020**, Amber Grid tested the quality of the constructed pipeline section of the GIPL project. Hydraulic tests were conducted to check whether the pipeline can handle the maximum design pressure. The working pressure of the GIPL pipeline will be 54 bar. The durability of a 38 km-long section of the gas pipeline crossing the districts of Širvintos, Vilnius and Elektrėnai was tested. Following the hydraulic tests, a smart pipeline inspection device was launched to check the pipeline geometry and the quality of the pipeline mounting works.
- On **26 October 2020**, Amber Grid signed an agreement with a commercial solar power plant construction company Eternia Solar for installation of solar parks for the total value of nearly EUR 1 million. Based on the agreement, the solar panels of approx. 1,400kW will be installed in the territory of Amber Grid by the end of 2021.

NOVEMBER

- On **4 November 2020**, the gas transmission system operators Amber Grid and GAZ-SYSTEM SA initiated a market survey to assess the progress achieved in the development of new transmission capacity in the gas interconnection between Poland and Lithuania (GIPL). Considering the value that the GIPL might bring to the gas markets within the region, both gas transmission system operators see the necessity to analyse the possibilities that might improve the GIPL's commercial viability and maximise its positive economic impact. The survey was aimed at gaining a better understanding of the key drivers that help ensure optimal access to the GIPL interconnection entry/exit points in both directions and create an added value for the consumers.
- Upon the completion of the GIPL entry point valve site in Širvintos district, the part of the GIPL pipeline connected to the currently operating gas transmission network was filled with gas.
- It was announced on **18 November 2020** that in autumn 2021 the head office of Amer Grid will be moved to Business Garden Vilnius complex of office premises located at address: Laisvės pr. 10, Vilnius. The news was announced upon the completion of procurement procedure for lease of office premises. The contract was awarded to the tenderer based on cost-effectiveness criteria. Based on the contract, office premises with the total area of around 1,100 sq.m. and for the total number of up to 76 employees will be leased out starting from autumn 2021. The movement of the head office of Amber Gird to the new premises was planned due to the approaching expiry of the current lease contract for office premises located at Savanorių Avenue in Vilnius. A quarter of all employees of Amber Grid were moved to the new office premises, whereas the remaining part (around 250 specialists) will continue their work in the gas transmission system operator's office premises located at Gudelių g. in Vilnius, Širvintos, and Panevėžys districts.
- On **25 November 2020**, at the time of supply of gas from a liquefied natural gas tanker to the gas distribution system in Alytus, there was a gas ignition which started a fire. The fire in the outskirts of the town was put out in a couple of hours. Two vehicles with degasification equipment were damaged by fire.

DECEMBER

- In **December 2020**, it was agreed with the gas transmission system operators from Latvia, Estonia, and Finland, and with a foreign consulting company Artelys SAS to continue the study in relation to the inter-TSO compensation mechanism that would enable the Baltic and Finnish gas market participants to act in a single transmission tariff zone, by eliminating the tariffs at the cross-border interconnection points within the zone.
- On **17 December 2020,** the Polish GSA platform operator and Amber Grid signed an agreement, based on which the capacity at the interconnection point in Santaka will be allocated via the GSA platform. The capacity will be made available upon implementation of the GIPL project and construction of a physical Poland-Lithuania gas interconnection point. The commissioning of the new cross-border gas interconnection between Lithuania and Poland (GIPL) is planned to occur in 2022. The first GIPL annual capacity auctions for the gas years 2022/2023 are planned to be held on the GSA platform in July 2022. All subsequent auctions will be held in compliance with the

requirements of the European Network Code on Capacity Allocation Mechanisms (the Commission Regulation (EU) 2017/459 - CAM NC) and the capacity auction calendar published by ENTSOG. The first capacity allocation via the GSA platform will cover short-term products offered in the beginning of 2022, and it will depend on the final deadline for the implementation of the GIPL project. Amber Grid (the gas transmission system operator in Lithuania) and the GSA platform will provide an early notification to the market participants about the expected auction schedule for the year 2021.

- With 61% of the construction works complete as at **29 December 2020**, almost half of the GIPL gas pipeline has been filled with gas.

At the time of issue of the consolidated annual report, the potential impact of the coronavirus pandemic (COVID-19) on the Company's operations was assessed. It was disclosed in the notes to the consolidated annual financial statements for the year 2020.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- On **3 March 2021**, the Supreme Court of Lithuania decided to annul the decision of the Vilnius Regional Court and the decision of the Lithuanian Court of Appeal according to the cassation appeal of UAB MT Group in the civil case under UAB MT Group legal action regarding the decisions of the AB Amber Grid commission of the Gas Interconnection between Poland and Lithuania (GIPL) procurement and to transfer the case to the court of first instance for retrial. The Supreme Court of Lithuania found that the lower courts had properly assessed the arguments of Amber Grid regarding the re-evaluation of the bids, the national security assessment and the calculation of the score of the most economically advantagious criteria, after which the evaluation of the bid submitted by the plaintiff was reduced. These claims of MT Group are rejected. The case was referred to the court of first instance for a retrial regarding the part of the claims of MT Group in the scope of the claim submitted by the plaintiff and which were left not examined.
- On **9 March 2021** Amber Grid announced that on 25 February 2021 concluded the purchase agreement for management holding services with the parent company UAB EPSO-G. The maximum price of the contact (excluding VAT) is EUR 425,000, the term of the contract is 36 months.

1.6. MEMBERSHIP

The Company has membership in the following organisations: European Network of Transmission System Operators for Gas (ENTSOG; www.entsog.eu), Association Polish and Lithuanian Chamber of Commerce, National Lithuanian Energy Association, Lithuanian Liquefied Natural Gas (LNG) Platform, EASEE-gas Association, European Renewable Gas Registry, European Clean Hydrogen Alliance, Lithuanian Hydrogen Platform, and Lithuanian Hydrogen Energy Association:

- ENTSOG was established in accordance with Regulation No. 715/2009 of the European Parliament and of the Council, as an organisation facilitating cooperation between the gas transmission system operators at the European Community level.
- Association Polish and Lithuanian Chamber of Commerce is a bilateral organisation for economic cooperation between Lithuania and Poland. The Association collects information for its members about the emerging business opportunities in both countries, cooperates with organisations and individuals ensuring business management and development, and organises conferences and events on various subjects.
- The National Lithuanian Energy Association was set up in 2016. The Association develops a common position of the energy sector, represents the interests of its members with the state authorities, public and international organisations, seeks to ensure development and improvement of electrical energy and gas supply conditions for the domestic consumers, and promotion of progress in the economic and technical energy sector.
- The Lithuanian Liquefied Natural Gas (LNG) Platform was set up in 2017. The Platform partners seek to promote the use of LNG as a new, cleaner and less noisy fuel in the sectors of transport, industry and others, in order to build a single information and operation platform for all potential LNG market participants.
- EASEE-gas was set up to develop and promote business practices to simplify and streamline physical gas transportation and trading across Europe.
- The main purpose of ERGaR Association is to promote, develop and maintain a trustworthy system that meets the EU regulatory requirements and enables cross-border trade in certificates of origin for renewable gases via the European natural gas network while preventing double sale and double counting of renewable gases.
- As from August 2020, Amber Grid joined the European Clean Hydrogen Alliance, which aims to assist with the implementation of the goals of the EU Hydrogen Strategy in order to support the scaling up of renewable hydrogen value chain across Europe.
- In November 2020, Amber Grid joined the Lithuanian Hydrogen Platform set up by the Ministry of Energy. The Platform aims to assist with the implementation of the goals of the EU Hydrogen Strategy in order to support the scaling up of renewable hydrogen value chain across Europe, to promote the use of hydrogen as a clean fuel, energy source and carrier in the sectors of transport, industry and others, as well as to promote engagement of local businesses and organisations in the activities of the hydrogen value chain as they develop and manufacture products and prove services for the domestic and external needs.
- As from 30 December 2020, the Company became a member of the Lithuanian Hydrogen Energy Association. The Association joins the local scholars and business organisations and participates in the formation of national, regional and EU policy and goals, including the preparation of strategy and hydrogen development action plan during the legislative process of legal acts regulating the hydrogen energy sector in Lithuania; also contributes to proposition of legislative initiatives that would promote local development of hydrogen technology, thereby ensuring cross-sector hydrogen integration and implementation of related technologies; and promotes joined initiatives in research & development activities.

2. BUSINESS ENVIRONMENT

2.1. BUSINESS ENVIRONMENT AND PROSPECTS

The year 2020 was a year of exceptionally favourable gas prices in the global and regional markets. This was mainly due to significant increase in supply of liquefied natural gas (LNG), lower demand for gas due to warm weather conditions, and global spread of coronavirus pandemic. Such trends contributed to the fact that gas consumption in Lithuania increased by 7% in 2020, and a record quantity of gas throughout the entire history was transported via pipelines in Lithuania to the remaining Baltic States – gas transmission to the Baltic States and Finland increased by 33% compared to 2019.

The most significant changes in the Baltic gas market were related to the integration of the 'isolated' Finnish gas market with the Baltic gas market. With effect from 2020, Balticonnector gas interconnection between Finland and Estonia was launched; liberalisation of the Finnish gas market was completed; and the Finnish gas trade was integrated into the regional gas exchange.

The political decision made by the Prime Ministers of the Baltic States back in 2016 to integrate the Baltic gas market and the Finnish gas market with effect from 2020 was implemented in part, because only Latvian and Estonian gas markets were connected to the common zone as from 2020. However, it was jointly agreed that Finland and Lithuania would join the common regional gas market by 2022.

In the context of fight against climate change, adoption of more stringent requirements of the European Union environmental policy, promotion and expansion of use of renewable energy sources, and more efficient use of energy – all these factors will contribute to lower consumption of natural gas for energy purposes in Lithuania. However, due to the limited number of alternatives in some of the industries and segments of the transport sector, and due to competitiveness while rendering balancing, reservation services in the heat and electricity sectors, natural gas will play an important role as a transitional period energy in pursuance of pan-European and national goals to reduce greenhouse gas emissions. At the same time, gas transported via pipelines will change with an increasing share of "green" gas: biomethane and gas generated through the process of conversion of green electricity - hydrogen and synthetic methane.

> "Gas transported via pipelines will change with an increasing share of "green" gas: biomethane and gas generated through the process of conversion of green electricity - hydrogen and synthetic methane."

In its National Energy Independence Strategy, Lithuania has set ambitious goals that will contribute significantly to the implementation of the United Nations' 2030 Agenda for Sustainable Development, and implementation of the goals set forth in the Paris Agreement, and the goals set forth in the EU's 2030 Climate and Energy Framework. The purpose of the above is to increase the share of renewable energy sources (including biomethane and other gases from RES) in the domestic gross final energy consumption: up to 30% in 2020 , up to 45% in 2030, and up to 80% as from 2020.

In spring 2020, the Ministry of Energy prepared a Draft Law on Alternative Fuels, which is currently submitted for approval by the Seimas of the Republic of Lithuania. The purpose of the Draft Law is to develop the infrastructure for use of alternative fuels by increasing the production and use of advanced biofuels, transitioning to modern and efficient public transport, and promoting the use of zero-emission vehicles in order to achieve that the share of renewable energy sources in the sector of transport reaches 15% by 2030. Special focus is paid to the transformation of the freight transport sector. The goal is to achieve that biomethane and green hydrogen consumption accounts for at least 5.2% of the final consumption in the transport sector by 2030. In addition, the focus is paid to the promotion of infrastructure for natural gas consumption in order to achieve that the share of natural gas and biofuels accounts for 32% of the total consumption of fuels in the transport sector.

In Lithuania, similarly as in the EU, it is expected that natural gas will remain an important energy source at the time of transition to a low-carbon

The quarantine situation, which was announced in Lithuania due to COVID-19 pandemic in 2020, had no significant impact on the business continuity, implementation of strategic projects, and financial performance of Amber Grid.

economy. The domestic natural gas demand will reach around 20 TWh in 2020-2030, of which more than 50% will represent demand for gas as a raw material in the fertilizer production industry.

At the end of 2019, the European Commission presented the European Green Deal, an ambitious project to help European citizens and businesses benefit from the transition to sustainability and ecology. The measures presented along with the initial outline of key policies include large-scale emission reductions, investment in advanced research and innovation activities, and preservation of Europe's natural environment. The Green Deal sets the target stating that in 2030 compared to 1990, the EU's greenhouse gas emissions will be reduced by 55% and by 2050 climate neutrality will be achieved.

On 15 December 2020, the European Commission introduced a new Regulation on Trans-European Transport Network (TEN-E). It provides a list of energy projects eligible for the EU funding and granting of permits with particular urgency. The list excludes the oil and gas infrastructure, whereas priority is given to hydrogen pipelines, offshore grids and smart gas grids in order to integrate electric energy and low carbon dioxide emission gas.

In 2020, the European Commission introduced the EU Strategy for Methane Emission Reduction, which, inter alia, aims to reduce the methane emission levels in the energy sector. The European Commission also introduced the Hydrogen Strategy. The Strategy provides for that hydrogen generated from renewable energy sources will become of critical importance by the year 2050, seeking to achieve climate-neutral economy in the EU. The above documents are expected to have considerable impact on gas transmission activities in the future.

In 2020, the European Network of Transmission System Operators for Gas (ENTSOG) introduced the Roadmap 2050 for Gas Grids. The aim of the Roadmap is to provide recommendations for the European Green Deal discussions and highlight gas transmission system operators' proposals on how to effectively combine well-functioning liquid gas market and achieve effective security of gas supply with the commitment to decarbonise.

The quarantine situation, which was announced in Lithuania due to COVID-19 pandemic in 2020, had no significant impact on the business continuity, implementation of strategic projects, and financial performance of Amber Grid. Prior to the official announcement of the quarantine in Lithuania, the Company had already activated its Emergency Operation Centre, reviewed its Emergency Management Plan, prepared the following additional documentation and implementing measures: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, as well as resources and responsible individuals, etc. The business continuity measures and the preventive measured were put into practice with immediate effect. All employees of the Company were provided with personal protective equipment: face masks, respirators, disposable gloves, disinfection liquid for hands, etc. During the quarantine, most of the Company's employees were working remotely, whereas employees from the Operation Units continued working in a normal mode due to the specific nature of their work. In order to ensure uninterrupted transmission of gas during the quarantine in spring, the engineers from the system operation centre worked in isolation, in shifts of two weeks.

2.2. REGULATORY ENVIRONMENT

As from 2019, a new five-year regulatory period has started together with the network code on harmonised transmission tariff structures for gas (TAR NC) established by the Commission Regulation (EU) 2017/460 of 16 March 2017, the application of which has started in 2020 for pricing of transmission services. Changes are expected in the price structure of the Company's services due to application of the provisions of the TAR NC, and due to the regional market integration (for more details see section Regulation of Gas Transmission Prices).

The changes in the existing regulation had an impact on the Company's operations and results. The new five-year regulatory period that started in 2019 resulted in a necessity for the Company to apply new NERC-approved methodology for determining the rate of return on investments, and the rate of return on investment was significantly reduced (from 7.09% to 3.33%) as from the beginning of 2019. Based on the provisions of the above methodology, the cost of debt capital is re-calculated annually, and therefore, the rate of return on investment is adjusted annually in the course of the regulatory period. Accordingly, the adjusted and established rate for 2020 and 2021 is 3.38% and 3.86%, respectively.

2.3. INFORMATION ON THE ACTIVITIES OF GET BALTIC UAB (THE SUBSIDIARY OF AMBER GRID) IN 2020

Amber Grid holds 100% of shares of GET Baltic UAB. GET Baltic UAB is a licensed natural gas market operator that has the status of a Registered Reporting Mechanism (RRM) granted by the Agency for the Cooperation of Energy Regulators (ACER). The company administrates the electronic trading platform for trading short-term and long-term natural gas products in the market area in Lithuania, the common market area of Latvia and Estonia, and the market area in Finland. By developing the solutions suitable for trading natural gas, GET Baltic seeks to improve the liquidity, competitiveness, and transparency of the wholesale gas market in the Baltic countries and Finland.

2020 was a year of changes and rapid development for GET Baltic. Continuous improvement of the exchange operations and a smooth start in Finland had a very positive impact on the company's financial performance.

As from 1 January 2020, GET Baltic started its operations in Finland, where it became a single regional trading platform for the Baltic and Finish gas market participants and started offering implicit capacity allocation services to the Finnish transmission system operator Gasgrid Finland Oy.

Given the integration of natural gas markets in Latvia and Estonia, the market areas on GET Baltic gas exchange were combined as well into a single market area with effect from 2020.

In order to ensure more favourable conditions for secondary capacity trading in Finland, during the reporting period the company implemented the Project for development of secondary capacity trading platform based on European standards. As from 1 December 2020, the secondary capacity trading platform operated by GET Baltic has been launched in Finland.

By seeking to provide its customers with additional possibilities for efficient integration of the existing services into their IT systems and to enhance user experience in delivering speedy, convenient and accurate data exchange, by the end of 2020 GET Baltic got ready to provide Data Exchange Services based on REST API solution.

Thereby, by implementing the goals set for the company, more favourable conditions were created for price convergence across the region and for streamlining cross-border trade between natural gas markets in Finland and Baltic countries.

The expansion of geographical presence of GET Baltic in 2020 ensured continuous trading on GET Baltic gas exchange on 24/7 basis.

GET BALTIC EXCHANGE PERFORMANCE IN 2020:

- The total traded volume increased to 7.2 TWh. This was an all-time record since the start of operations of GET Baltic. Compared to 2019, the turnover increased as much as 2.5 times (2019: 2.9 TWh);
- Traded volume accounted for over 11% of total demand for gas in the Baltic countries and Finland (65 TWh);
- 51% of the total traded volume was purchased in Lithuania (3,687 GWh), 37% in Finland (2,296 GWh), and 11% in the common Latvian-Estonian market area (824 GWh);
- In total 20,576 transactions were concluded, i.e. 128% more compared to 9,045 transactions in 2019. This was a record number of transactions in the history of GET Baltic.
- The number of active exchange participants increased by 75% compared to the previous year. In total 56 exchange participants placed orders, whereof 55 participants concluded transactions. In 2019, 32 exchange participants were active and placed orders, whereof all of them concluded transactions;
- Transaction with the lowest price of 4 EUR/MWh was concluded in July, and transaction with the highest price of 23.1 EUR/MWh was concluded in January.

99 Exchange participants

56 Active exchange participants

3 Market Makers

7206 GWh Traded volume

20576 Number of transactions

Market area	Number of exchange participants	Number of market makers*	Buy volume traded, GWh	Sell volume traded, GWh
Finland	27	1	2696	1993
Latvia-Estonia	21	2	824	1640
Lithuania	71	1	3687	3574

*There are 3 market makers on GET Baltic gas exchange, one of them operates in 2 different market areas.

Pic. 1. GET Baltic performance in 2020

3. STRATEGY

3.1. STRATEGIC DIRECTIONS, GOALS AND RESULTS

In the beginning of 2020, the Company's Board approved an updated strategy of Amber Grid for 2017–2022. Seeking for a more consistent implementation of the strategic directions under the individual strategy documents of different EPSO-G Group companies, they have been harmonised across the Group.

Guided by the corporate vision and the strategic goals, as set by the State of Lithuania and the shareholder, to increase the corporate value and ensure implementation of the strategic interests in the gas sector, Amber Grid has focused on the following three strategic directions:

- Development of regional operations and ensuring successful implementation of the strategic projects;
- Ensuring sustainable growth of the Company and long-term benefits to its shareholders;
- Efficient operation and innovation;
- Creative and progressive organisation.

Each of the strategic directions of the Company has strategic goals, tasks, and measures with the defined targets and deadlines.

Changes in designing the operations are reflected in the strategic goals set by the Company. In order to be successful, the Company must operate in the global market, digitize and expand the range of its services, implement innovative technological and intelligent solutions, and contribute to creation and development of better conditions for renewable energy sources. All these changes are driven by changes in the operating environment, national strategic decisions, and technological development.

To attain its goals, Amber Grid continuously measures implementation of the strategy, and the progress achieved to date.

Below is a description of the progress achieved to date with the implementation of the Company's goals for 2020.

BENDROVĖS 2020 M. TIKSLŲ ĮGYVENDINIMO STATUSAS

GOAL: **Formation of a single regional gas market in co-operation with the regional TSO**	In 2020, the Company was seeking to create a single regional market by focusing on its continuous work with the regional partners. The goal is to create a single market on acceptable terms for all the parties, including the Lithuanian citizens and businesses. Lithuania seeks to join the common tariff zone with the rest of the Baltic countries by the year 2023. The implementation of the actions set forth in the Action Plan for Development of the East Baltic Regional Gas Market in 2020 is being late – the phase II of the ITC study will be completed in the beginning of 2021.
GOAL: **Signing of an interconnection contract on the GIPL project with GAZ-SYSTEM S.A.**	Following the construction of the cross-border interconnection – a system of gas pipelines connecting Lithuania and Poland – it will be necessary to sign an interconnection contract with the partner GAZ-SYSTEM S. A. Throughout the year 2020, the parties continued negotiation of the terms of the contract, based on which they will cooperate. The contract is to be signed in 2021.
GOAL: **Building of a gas pipeline infrastructure**	By seeking to create a single infrastructure connecting the Baltic countries to the gas transmission networks in other EU Member States, construction of the gas interconnection between Lithuania and Poland (GIPL) is being carried on. As planned, 61% of the total expected project works has been completed during a year since the start of the construction as of January 2020. At the time of implementation of the ELLI project, all the planned works were carried out in 2020: a contract was signed for the designing works to be performed throughout 2021. The construction works under the project will start in the beginning of 2022, and will continue till the end of 2023.

GOAL:

Digitization

In 2020, we completed all the planned works aimed at building a reliable IT system for efficient gas flow management and interactive exchange between the transmission system operator and the system users (Billing project). A detailed test was run in the first block of business processes, with its results submitted for the contractor's consideration. In parallel, we are working together with the contractors to programme the second block of business processes as stipulated in the plan. The system is expected to be implemented in full in 2021.

An integrated accounting and financial management information system will ensure effective execution of the Group's accounting, budgeting, control, and analysis functions. The project is slightly late with its implementation. All the planned works were not completed in 2020 as the Group companies delayed their decisions on determining the scope of the system.

A special focus is paid by the Company on replacement of the IT systems in order to ensure cyber security. All the actions stipulated in the plan were implemented in 2020.

As a result of implementation of the guarantee of origin system for gas generated from RES in 2019, the Company continues developing the system by integrating the national guarantee of origin system for gas generated from RES into the currently developed European system (for import and export of guarantees of origin), by making improvements to the Register to ensure its compliance with the requirements of the European guarantee of origin system. All the actions stipulated in the project were fulfilled in 2020 on a timely basis.

GOAL:

Improvement of management of operations

While improving the management of operations, the Company continued with the implementation of a risk-weighted technological asset management system. In 2020, a plan of measures was prepared, and pilot operation schedules were approved for the year 2021 in view of the potential risks.

For the third year, the Company has been participating in the initiative for benchmark analysis to compare performance of a number of transmission system operators across Europe. The results of the analysis will be used as reference to plan and implement the improvements to business processes. In 2020, the business processes of the Company were improved based on the analysis. This project is a long term, and in 2021 it is expected to continue with the improvement of efficiency of business process based on the analysis results.

Based on the decision passed by the Company's Board on 19 November 2020, the measures relating to improvement of project management were crossed out from the action plan, by re-distributing the project organisation functions and centralising a part of the competences within EPSO-G UAB.

GOAL:

Innovation

As the Company seeks to encourage innovation and purposeful implementation of innovative solutions, the Company together with other companies of EPSO-G Group elaborated an integrated functional action plan for development of innovation ecosystem across EPSO-G Group in 2020. The action plan pays special focus on innovative solutions by proceeding with the study (which was started in 2019) on the applicability and relevance of use of hydrogen and Power-to-Gas (P2G) technologies in the gas networks of Lithuania. In 2020, we further accomplished a number of planned actions in relation to use of hydrogen in the gas networks, and joined the Lithuanian Hydrogen Energy Association.

Development and promotion of professional knowledge and personal qualities of employees that are necessary for implementation of the strategy

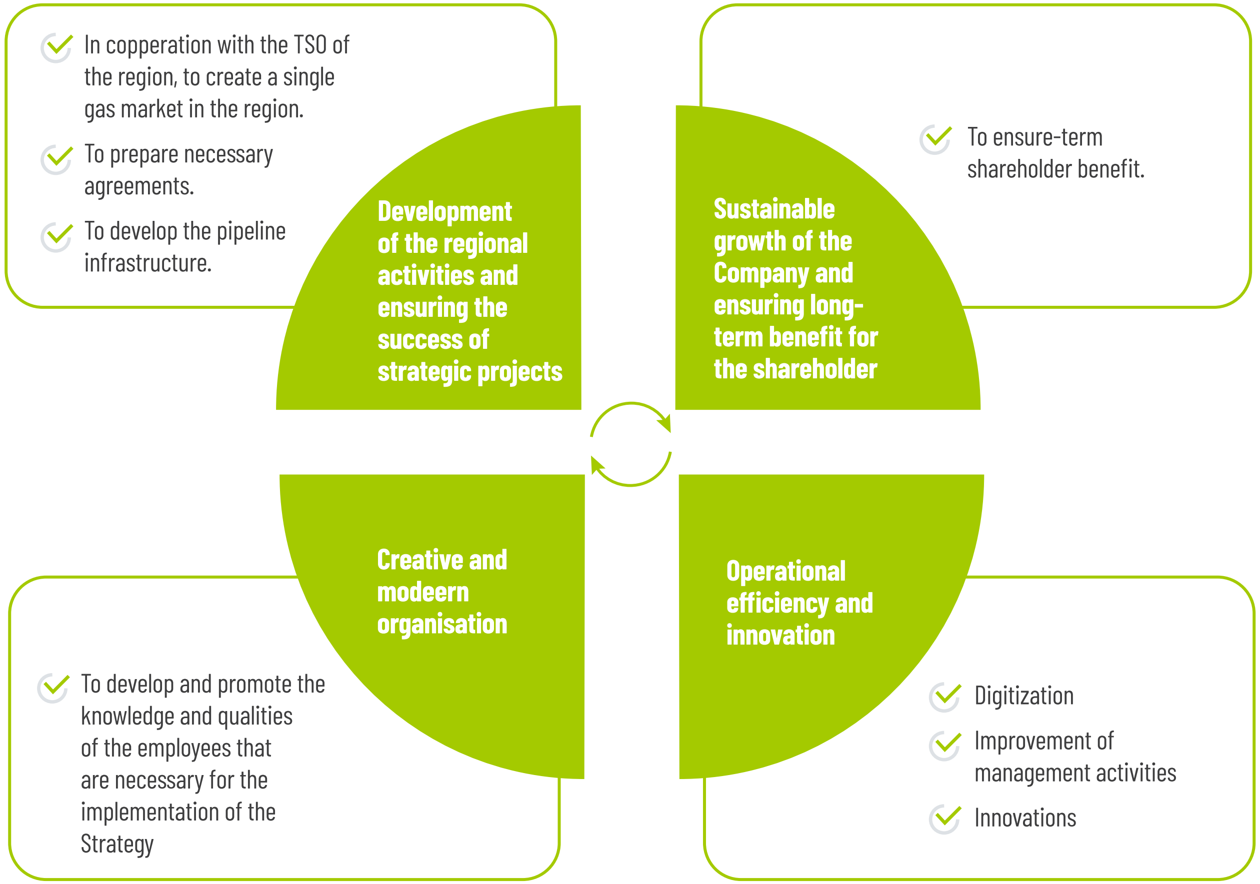
For the purpose of creating an efficient, competitive organisation that follows shared values and makes prompt decisions in response to the evolving situation, the Company focused on strengthening the leadership and management competences of its employees throughout 2020.

By observing the changes in the labour market, the Company reviews and updates its training framework and links it to the competence model. In 2020, the training system was improved using the advanced techniques that will enable the Company to develop, retain and motivate its employees.

Special focus will be paid to the implementation of the organisational culture change. For that purpose, the Company's current practice of human resource management was and will be strengthened and developed in 2020 and the years beyond.

For a number of years, the Company has been implementing its social responsibility principles by seeking to act in a responsible manner while building a competitive and transparent market, to assess the environmental impact of its activities and to elaborate the respective programmes for continuous improvement, to develop the professional competences and promote a responsible approach of its employees towards their duties and environment protection, and to strengthen the Company's relationships with the general public and local communities. The social responsibility maturity level achieved in 2020 – effectiveness.

For more details about the progress achieved with the goal To ensure long-term benefits for the shareholders, see section Financial results.



Pic 2. Interrelationship between the strategic directions and goals of Amber Grid

3.2. NON-FINANCIAL AND FINANCIAL PERFORMANCE OBJECTIVES

Based on the strategic directions elaborated by the shareholder and approved in Amber Grid's Strategy Document, the Board has set the following performance objectives for the Company for the year 2020.

In the opinion of the Board, the performance objectives set for the Company have been achieved to the extent of 100% in 2020.

PERFORMANCE OBJECTIVES OF AMBER GRID FOR 2020

No.	Description of the objective for the year	Indicator
1.	Return on equity (ROE)	ROE ≥3.3%
2.	All planned construction works under the GIPL for the territory of Lithuania were completed in 2020 in line with the agreed schedule and scope	1) Completion of mandatory archaeological exploration (phase I - ~73 km) - by 30 June 2020; 2) Completion of HDD drilling works underneath the Neris and the Nemunas Rivers - by 1 October 2020; 3) Completion of welding of 100 km-long pipeline, whereof a 73 km-long section was connected - by 31 December 2020.
3.	Development of the Centre of Excellence for Energy	1) A study on the GIPL's commercial viability and increased value of the infrastructure; 2) REGATRACE project; 3) Completion of an analysis of applicability of Power-to-Gas technology
4.	Efficient management of assets	1) Deployment of PIMS information system; 2) Integration of TVIS system into the organisation's operations.
5.	Changes in organisational culture	Analysis, and implementation of the plan on cultural changes

Table 2. Performance objectives of Amber Grid for 2020

"The goals set for the company, according to the Board, in 2020. were fulfilled 100 percent."

508 km

Total pipeline lenght in Lithuania ane Poland

165 km

In territory of Lithuania

3.3. STRATEGIC INFRASTRUCTURE PROJECTS

In 2020, Amber Grid continued with the implementation of the strategic gas transmission infrastructure projects: construction of the gas interconnection Poland-Lithuania (GIPL), and capacity enhancement of Latvia-Lithuania interconnection (ELLI).

Those strategic infrastructure projects were included in the following: the Fourth List of the EU Projects of Common Interest announced in October 2019, the Ten-Year Network Development Plan (TYNDP) of the European Network of Transmission System Operators for Gas (ENTSOG) announced in 2018, the Regional Gas Investment Plan 2017 of the Baltic Energy Market Interconnection Plan (BEMIP), the Natural Gas Transmission System Operator's Ten-Year (2020-2029) Network Development Plan, and the National Plan on Implementation of Key Electricity and Gas Transmission Infrastructure Projects approved the Government.

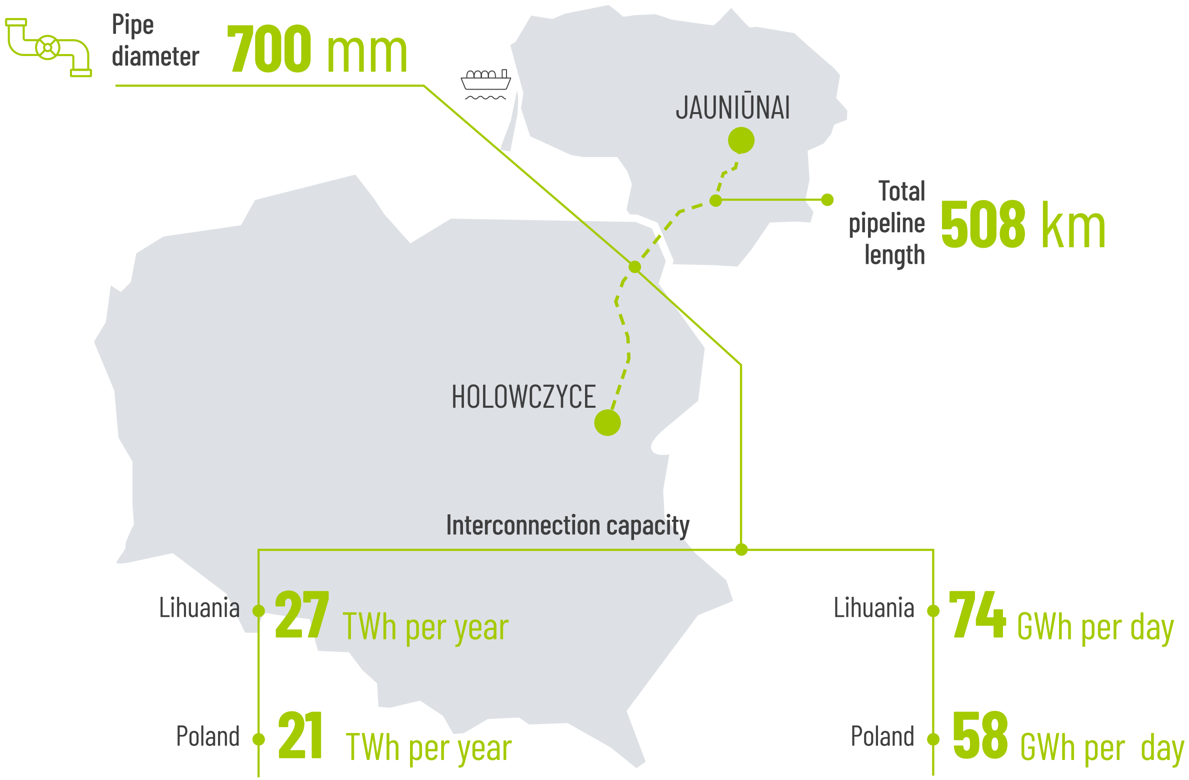
3.3.1. GAS INTERCONNECTION POLAND-LITHUANIA (GIPL)

The European Commission has recognised the GIPL (Gas interconnection Poland-Lithuania) as one of the key infrastructure projects of significant importance that ensures security of gas supply and contributes substantially to ensuring energy security across the EU. Amber Grid is implementing the GIPL project in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A.

The project objectives are as follows:

- Integration of the Baltic and Finish gas markets into a single gas market of the EU;
- Diversification of gas supply sources;
- Improvement of security of gas supply.

The total length of the planned gas pipeline will be 508 km, of which 165 km belongs to the territory of Lithuania. The capacities resulting from the construction of the gas interconnection will allow transportation of annual gas quantity up to 27 TWh to the Baltic countries and up to 21 TWh to Poland; and the Baltic and Finnish gas markets will become a part of a single gas market of the EU.



Pic. 3. Project for Gas Interconnection Poland-Lithuania (GIPL).

BENEFITS OF THE GIPL PROJECT:

- Integration of the Baltic and Finish natural gas markets into a single gas market of the EU;
- Provision of access to alternative gas supply sources and improvement of competitiveness;
- Improvement of security and reliability of gas supply by providing both additional gas transmission capacity and possibility to apply the EU solidarity measures in case of emergency.
- Provision of conditions allowing more flexible and efficient use of the LNG terminals and transmission infrastructure in Poland and Lithuania.
- Improvement of liquidity of gas trade in the Polish and Baltic market areas, and strengthening of their role across the region.

THE MAJOR ACHIEVEMENTS DURING THE IMPLEMENTATION OF THE GIPL PROJECT:

- In January 2020, Amber Grid together with the contractors started the GIPL construction works: tracing of the route, search for explosives at the construction site, and archaeological exploration works were started in the designated areas. In the middle of January, the first pipes necessary for the gas pipeline were delivered to Lithuania.
- In June 2020, complex horizontal direct drilling (HDD) was successfully accomplished underneath the Neris River.
- In June 2020, the Company and the European Investment Bank (EIB) signed a loan agreement for the amount of EUR 65 million, which is intended to finance the construction of the gas interconnection between Lithuania and Poland (GIPL).
- In August 2020, the laying of pipeline underneath the Nemunas River was accomplished.
- In October 2020, the part of the GIPL pipeline was connected to the currently operating gas transmission network.
- In December 2020, a 72km-long section of the newly laid pipeline was filled with gas.
- In December 2020, the steel pipes necessary for the entire Lithuanian part of the GIPL interconnection were delivered to Lithuania.
- 61% of all the GIPL project works were completed during 2020.

The GIPL project is financed from own and borrowed funds of Amber Grid and GAZ-SYSTEM S.A., using the EU financial assistance under the European Commission Trans-European Networks for Energy (TEN-E) Programme and the EU Connecting Europe Facility (CEF). In addition to the EU financial assistance, the construction of the GIPL project will be funded by Lithuania, Latvia and Estonia under the Cross-Border Cost Allocation, whereby they will cover part of the GIPL project investment costs pertaining to the territory of Poland.

More information on the GIPL project, its progress and news can be found on the project website (www.ambergrid.lt/lt/projektai/dujotiekiu-jungtis-tarp-lenkijos-ir-lietuvos-gipl).

3.3.2. ENHANCEMENT OF LATVIA-LITHUANIA INTERCONNECTION (ELLI)

The purpose of the project is to enhance the capacity of Latvia-Lithuania interconnection, ensure safe and reliable gas supply and achieve more effective utilisation of the infrastructure and a better integration of the Baltic gas markets. This will provide better conditions for the utilisation of the Latvian Inčukalns underground gas storage facility. The project promoters are Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

On 13 July 2020, Amber Grid signed an agreement on the ELLI designing works to be carried out during 2021. The construction works under the project are expected to start in the beginning of 2020 and continue till the end of 2023. The project's implementation in the territory of Lithuania will cover capacity enhancement of Kiemėnai gas metering station and reconstruction of the gas pipeline at Panevėžys gas compressor station. The project's implementation in the territory of Latvia will cover reconstruction of the main gas pipeline in order to increase the maximum working pressure from 40 to 50 bar. The investments will result in capacity enhancement to 130.47 GWh per day towards the direction of Latvia (currently it is 67.6 GWh per day) and to 119.5 GWh per day towards the direction of Lithuania (currently it is 65.1 GWh per day). As a result of implementation of the project, the enhanced gas transmission capacity between Lithuania and Latvia will also be beneficial due to the already existing gas interconnection between Poland and Lithuania (GIPL).

Pic. 4. Project for Enhancement of Latvia-Lithuania Interconnection (ELLI).

3.4. EUROPEAN UNION FINANCIAL ASSISTANCE

In 2020, Amber Grid signed seven financing agreements with the Lithuanian Business Support Agency under 2014-2020 Operational Programme for the European Union Funds' Investment, where the EU financial assistance accounts for up to 50%:

- 1. The project for reconstruction of individual sections of the main gas pipeline Vilnius-Kaunas, which will involve reconstruction (replacement) of 16.9km-long section of the main pipeline Vilnius-Kaunas, for which quite a few defects were identified as a result of internal diagnostics. The pipeline reconstruction will help ensure an interrupted, reliable and safe gas transmission to the residents of Kaunas and Kaišiadorys district municipalities. The total project value is EUR 15,6 million.
- 2. The project for modernisation of the gas distribution station in Telšiai, gas distribution station in Šiauliai and gas metering station in Mažeikiai, which will involve installation of new, modern-standard technology at the gas distribution stations in Šiauliai and Telšiai and at the gas metering station in Mažeikiai, thereby allowing to reduce emissions of air pollutants and the likelihood of breakdown and interruption. The total project value is EUR 4 million.
- 3. The project for modernisation of the gas control devices at the gas compressor station in Panevėžys, which will involve replacement of natural gas filters at the gas compressor stations in Panevėžys, automated operation of the filers, thereby allowing to ensure an uninterrupted, reliable and safe gas transmission to the system users. The total project value is EUR 911 thousand.
- 4. The project for modernisation of the gas distribution stations in Grigiškės, Kėdainiai and Vievis, which will involve installation of new, modern-standard technology and advanced infrastructure facilities, thereby ensuring conditions for a more flexible operation of the gas distribution stations and automation of operation, data collection and data transfer systems. The total project value is EUR 6,1 million.
- 5. The project for replacement of shut-off devices and installation of operational remote control system (SCADA), which will involve replacement of obsolete valves that are no longer suitable for use, and execution of their control from a remote technological control system, thereby allowing to improve safety and reliability of natural gas transmission system in the southern, south-western, south-eastern, northern and central parts of Lithuania. The total project value is EUR 4,4 million.
- 6. The project for installation of pressure-limiting valves at the pipeline branches, which will involve installation of the pressure-limiting valve and advanced infrastructure facilities (such as remote control system) in the main pipeline branch to the gas distribution station in Marijampolė, thereby allowing to monitor and control the gas pressure-limiting valve system. The total project value is EUR 769 thousand.
- 7. The project for modernisation of operation of gas compressor stations and installation of data centre, which will involve modernisation of operation system of the gas compressor station in Jauniūnai, installation of remote back-up data centre, installation of modern-standard fire detection and fire extinguishing system, installation of modern software and hardware, thereby allowing to ensure safety and reliability of the gas transmission system. The total project value is EUR 1,1 million.

The total value of all agreements signed by Amber Grid during 2020 is almost EUR 33 million, the implemented part whereof is EUR 8 million.

Value of signed contracts: EUR **33** million

Value of implemented projects: EUR **8** million

More information on the infrastructure projects implemented by Amber Grid is available on the official website at:
https://www.ambergrid.lt/lt/perdavimo-sistema/perdavimo-sistemos-pletra/infrastrukturosprojektai

3.5. REGIONAL MARKET

On 1 July 2017, Amber Grid together with the transmission system operators from Latvia and Estonia started using the implicit capacity allocation model at the Baltic cross-border interconnection points, thereby allocating part of the day-ahead capacity via the GET Baltic gas exchange. As from 1 July 2018, the Company started using the within-day capacity allocation model. It is a transitional instrument for the integration of the Baltic gas, which is intended to improve competitiveness of the gas markets and promote cross-border trade in gas. The regional gas market is expected to develop gradually.

With effect from 2020, a single gas market area was created by Latvia and Estonia, which together with Finland formed a common tariff zone. As from 2020, a zero transmission price has been introduced for the interconnection with Finland, and the common tariff zone entry prices have been made uniform.

Although Lithuania supports the idea of creating a single regional gas market, the terms of such arrangement do not serve the interest of Lithuania, since such joining would result in an ungrounded additional financial burden on the domestic consumers. Therefore, negotiations are under way with the Latvian, Estonian and Finnish operators on the terms of the arrangement under which Lithuania would join the zone. The aim is to create a single market on acceptable terms for all the parties, including Lithuanian citizens and businesses. Lithuania expects to join the common tariff zone at a later stage, probably by the year 2023. The Baltic countries and Finland will continue negotiating their position on further market integration in order to develop a mutually acceptable model of cooperation among the operators.

In 2020, the results of the study regarding integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets revealed the economic benefits for each of the countries within the region, if the gas market of Lithuania were integrated with the gas market in Latvia, Estonia and Finland. Based on the results of the study of economic benefits for the market, an alternative analysis was started in November 2020 in relation to potential Inter-TSO Compensation (ITC) mechanism. More information is provided in section Regulation of Natural Gas Transmission Prices.

As the Company proceeds with the implementation of the GIPL project, cooperation with the Polish partners is continued as follows: Amber Grid continues cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A., while the gas exchange operator GET Baltic (the subsidiary of Amber Grid) continues cooperation with the Polish power exchange TGE (Towarowa Giełda Energii SA). In 2020, a study was completed to look into the commercial viability and economic benefits for the market of the GIPL project. Based on the results of the study, a survey was prepared and distributed among the market participants. Based on the results of the study and answers provided in the survey, the decision will be made in relation to further steps necessary to harmonise the markets.

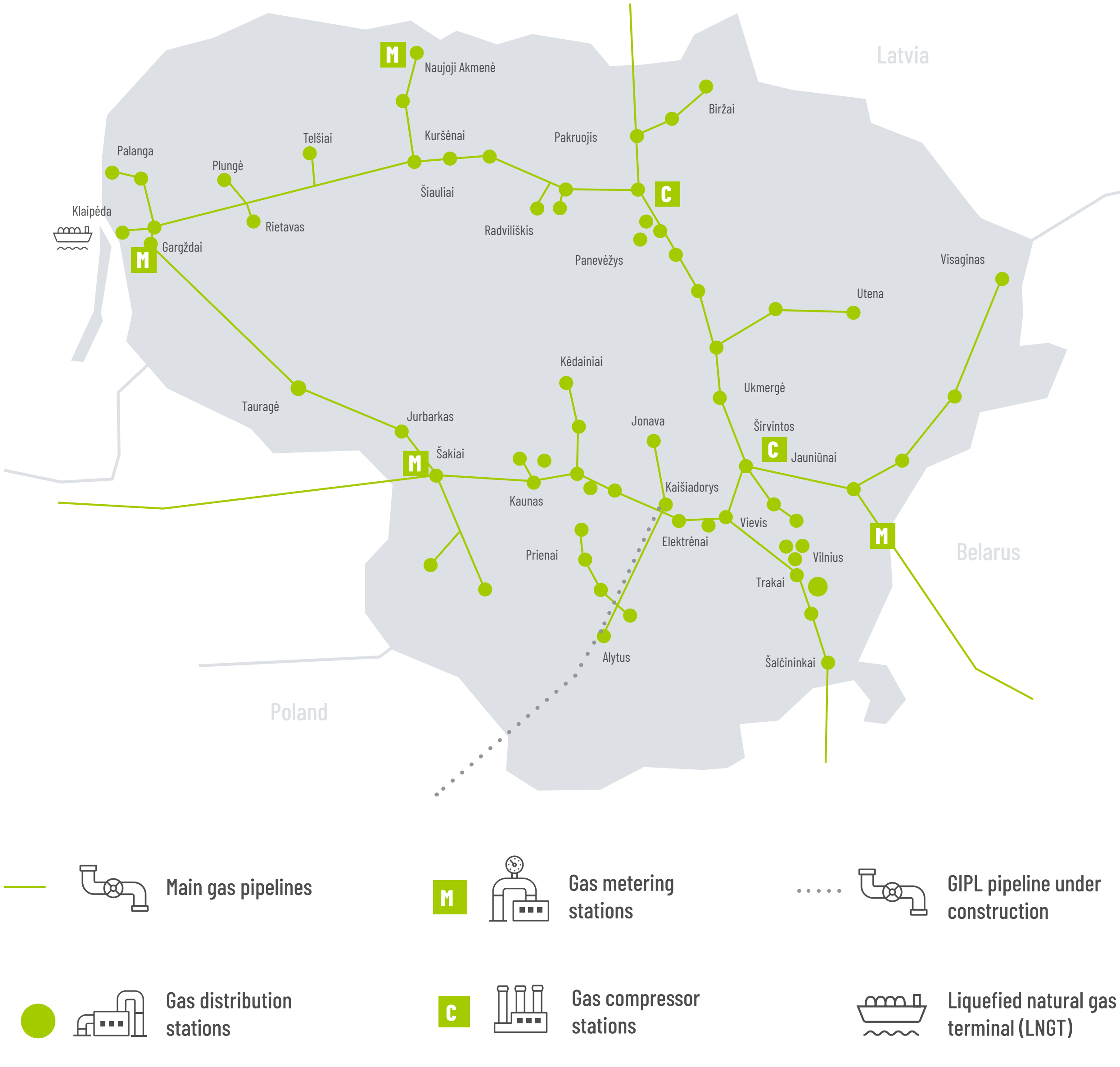
4. OPERATIONS

4.1. TRANSMISSION SYSTEM

The natural gas transmission system consists of gas transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion equipment for protection of pipelines, data transmission and communication systems and other facilities belonging to the transmission system. The Lithuanian gas transmission system is connected to the gas transmission systems of the Republic of Latvia, Republic of Belarus, Kaliningrad Region of the Russian Federation, and Klaipėda LNG terminal.

The Company operates 64 gas distribution stations (GDS), 3 gas metering stations (GMS) and 2 gas compressor stations (GCS). The length of the operated pipelines is 2,115km, and the diameter ranges between 100 and 1220mm. The design pressure in the larger part of the transmission system is 54 bar.

> The natural gas transmission system consists of gas transmission pipelines, gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion equipment for protection of pipelines, data transmission and communication systems and other facilities belonging to the transmission system.



Pic. 5. The natural gas transmission system in Lithuania.

4.2. MAINTENANCE, RECONSTRUCTION AND MODERNISATION

Maintenance of the main pipelines is regulated under the legal acts and is carried out strictly in compliance with the requirements set forth therein. Maintenance and repair works are conducted continuously to ensure a reliable and safe transmission system.

In 2020, internal diagnostics was conducted for the main gas pipelines in the branch to Jonava GDS (24km), branch to Jonava GDS line II (24km), and branch to Girininkų GSD (36 km). In addition, a control device was launched in the main gas pipelines to Kaliningrad, in the section between Vilnius and Kaunas (97km) and in both sections of the gas pipeline to Kaliningrad from Kaunas to the Lithuanian border with Russia (81km and 83km). In total, 345 km-long pipelines were inspected during the year.

In 2020, the Company carried out the following reconstruction and modernisation works:

- replacement of shut-off devices and connection to the remote control system:
  - in the branch to Šalčininkai GDS,
  - in the pipeline Ivacevičiai-Vilnius-Riga,
  - in the branch to Vievis GDS,
  - in the branch to Elektrėnai GDS,
  - in the branch to Žiežmariai GDS,
  - in the branch to Kaišiadoriai GDS,
  - in the branch to Praviena GDS.
- installation of pig launchers in the gas pipeline Vilnius-Kaunas;
- replacement of 41 pipe inserts in the main pipeline based on the internal diagnostics results;
- modernisation of automated control system at the gas compressor station in Jauniūnai;
- designing of restoration of the gas distribution and metering stations;
- further implementation of the system for remote control of technological processes and collection of data from the gas metering devices.

4.3. MARKET OF THE SERVICES

Amber Grid provides natural gas transmission services to the system users, other operators and gas market participants in the territory of Lithuania: it transmits gas to the domestic consumers, also transports natural gas to Latvia and Kaliningrad Region of the Russian Federation. Gas is supplied to the system via the LNG terminal in Klaipėda and via the entry points from Belarus and Latvia.

The EU common interest project GIPL, which is being implemented by Amber Grid in cooperation with the Polish gas transmission system operator GAZ-SYSTEM S.A., will connect the gas markets in the Baltic countries and Finland with that of the EU, and will expand access to new natural gas supply sources in the future.

In addition, Amber Grid is responsible for balancing natural gas flows in the transmission system and for administering the funds intended for compensation of construction costs and fixed operating costs of the LNG terminal, its infrastructure and the connector, as well as for compensation of natural gas supply costs incurred by the designated supplier. The Company actively works with its partners to create conditions for efficient functioning of the natural gas market by increasing the competitiveness and liquidity of the gas market and by ensuring attractive conditions for customers to operate in the natural gas market.

Amber Grid administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES), i.e. fulfils the following functions: issuance, transfer and cancellation of the guarantees of origin, supervision and monitoring of the use of the guarantees of origin, and recognition of the guarantees of origin issued in other states as acceptable in Lithuania. Green gas is produced from biomass and other RES. The guarantee of origin is granted per unit of energy: one megawatt-hour (MWh) supplied to the gas transmission and distribution network. The guarantee of origin system enables identification, registration and monitoring of the biogas produced, while the end-users of such fuel can be assured that the gas they use is produced from renewable energy sources.

4.4. CLIENTS

The clients of Amber Grid's services of natural gas transmission via gas transmission pipelines and balancing of natural gas flows in the transmission system are large Lithuanian electricity and district heating companies, industrial and medium-size businesses in Lithuania, energy and natural gas supply companies in the Baltic and third countries that receive natural gas transmission services.

The clients of the National Register of Guarantees of Origin for gas produced from renewable energy sources: the gas producers, gas suppliers, gas transmission system and gas distribution network operators and other market participants intending to obtain or have already obtained the guarantees of origin.

4.5. DESCRIPTION OF THE SERVICES

The Company provides the system users, other operators and gas market participants with the following services:

- Natural gas transmission in the territory of Lithuania;
- Balancing of natural gas flows in the transmission system;
- Administration of funds intended for compensation of construction costs and fixed operating costs of the LNG terminal, its infrastructure and the connector, and for compensation of reasonable costs of supply of the required quantity of natural gas incurred by the designated supplier;
- Managing the Register of Guarantees of Origin for gas produced from renewable energy sources.

4.5.1. GAS TRANSMISSION

GAS TRANSMISSION QUANTITIES

In 2020, for the consumers in Lithuania and the EU Member States (Latvia, Estonia and Finland), gas injected from Klaipėda LNG terminal to the gas transmission system operated by Amber Grid amounted to 21,897 GWh, gas transported from Latvia to Lithuania amounted to 1,702 GWh, and gas transported from Belarus to Lithuania amounted to 9,926 GWh. Gas transmission quantities from the LNG terminal to the consumers in Lithuania and other EU Member States accounted for 65.3% of the total required quantity of gas.

25,144 GWh of gas was transmitted up to the domestic exit point for the gas consumers in Lithuania in 2020. Compared to 23,530 GWh of gas transmitted in 2019, gas transmission quantities increased by 7%.

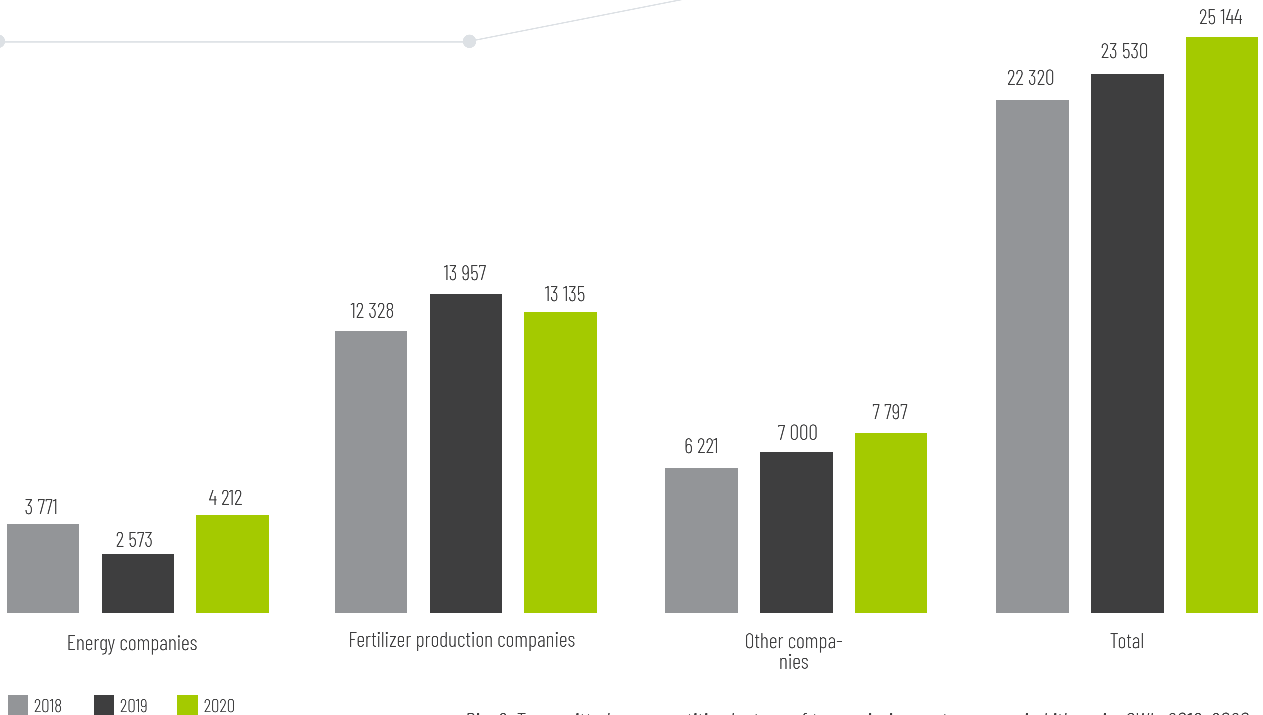
25,144 GWh of gas was transmitted up to the domestic exit point for the gas consumers in Lithuania in 2020. Compared to 23,530 GWh of gas transmitted in 2019, gas transmission quantities increased by 7%.

7,960 GWh of gas was transmitted from the Lithuanian transmission system to Latvia through the gas metering station in Kiemėnai in 2020, i.e. 33% more compared to 2019 (5,990 GWh).

24,902 GWh of gas was transported to Kaliningrad Region of the Russian Federation during the reporting period (2019: 26,002 GWh).

As at 1 January 2021, the Company had 108 agreements on natural gas transmission services with the transmission system users (gas consumers, gas distribution system operators, importers, gas suppliers supplying gas up to the consumer systems), of which 45 system users used the transmission capacity during the reporting period. The Company had 2 natural gas balancing agreements with the market participants trading natural gas via the virtual trading point, but not transporting it via the transmission system.

Structure of transmitted gas quantities at the domestic exit point by type of transmission system users is illustrated in Picture 6.



Pic. 6. Transmitted gas quantities by type of transmission system users in Lithuania, GWh, 2018-2020.

REGULATION OF GAS TRANSMISSION PRICES

Regulation of gas transmission prices is conducted by the NERC through setting the revenue cap, the pricing methodology, and through approval of the specific prices set by the Company. The revenue caps for regulated activities can be annually adjusted by the decision of the NERC in accordance with the procedure established in the Methodology for determining revenue from and prices for regulated natural gas transmission activities.

On 10 June 2019, the NERC set the revenue cap of EUR 36.1 million for regulated activities of Amber Grid for the year 2020 (i.e. for revenue from gas transportation services via the natural gas transmission system), which was 17.8% lower compared to the revenue cap of EUR 43.9 million set for the year 2019 (i.e. a one-off reduction, when the allowed revenue for 2020 was reduced by the amount of cumulative deviation of ROI estimated at the end of the previous regulatory period 2014-2018).

Accordingly, the gas transmission prices approved by the NERC in autumn of 2019 for entry/exit points of the transmission system, not in excess of the revenue cap set by the NERC for the year 2020, became effective from 1 January 2020. More details on the gas transmission prices effective from 1 January 2020 are available on the Company's official website at: https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2020.

In 2020, the average gas transmission price to meet the domestic consumer needs in Lithuania (for short-term and long-term products) decreased on average by slightly more than 16% compared to the average price applied in 2019 (to 1.22 EUR / MWh). Such decrease in the average gas transmission prices for the domestic system users in Lithuania was mostly driven by a reduced revenue cap for transmission services in 2020 compared to 2019 (by almost 18%).

During the period between 19 February 2020 and 31 March 2020, the NERC conducted a public consultation regarding the multipliers, seasonal factors and discounts to be applied in the Company's gas transmission price structure for 2021, in line with the requirements of Art. 28 of the European Commission Regulation establishing a network code on harmonised transmission tariff structures for gas. In view of the opinion expressed by the market participants in the course of public consultation and based on EUR 42.4 million revenue cap for regulated activities of Amber Grid set by the NERC on 7 May 2020 for the year 2021, i.e. 17.5% higher compared to the revenue cap for 2020 and quite close to the revenue cap for 2019 (EUR 43.9 million), at the end of May 2020 the NERC approved the gas transmission prices set by the Board of the Company for the year 2021. More details on the gas transmission prices effective from 1 January 2021 are available on the Company's official website at: https://www.ambergrid.lt/en/services/tariffs-prices/tariffs-effective-from-1-january-2021.

In 2021, the average gas transmission price to meet the domestic consumer needs in Lithuania (for short-term and long-term products) will be

> In order to create the best possible conditions for market participants to use the Lithuanian LNG terminal, a 75% discount has been applied since 2019 to the gas transmission price at the entry point in Klaipėda.

1.40 EUR/MWh, which is about 15% higher compared to the average gas transmission price in 2020 (1.22 EUR/MWh), and about 4% lower compared to the average gas transmission price in 2019 (1.46 MWh). In 2020, the revenue cap and the gas transmission prices were exceptionally low due to a one-off adjustment (which is no longer reflected in 2021 prices), when additionally earned income and expenditure savings were refunded to the consumers for the years in the previous regulatory period. In 2021, the prices are expected to substantially rebound to the 2019 level, but they will still remain even lower due to increasing gas flows and higher efficiency of operations. Although the gas transmission prices for 2021 take into account the planned investments into the construction of the gas interconnection with Poland (GIPL), as well as reconstruction and modernisation costs of the transmission network in Lithuania, the investment effect is amortised and the gas transmission prices for the domestic consumers in Lithuania remain at a stable level due to the annually increasing gas flows towards the direction of Latvia and higher efficiency of the Company's operations.

For the transmission system to be easily accessible and flexible and for the promotion of regional gas market development, the gas transmission prices at the entry points have been harmonised since 2020 with those applicable in the adjacent tariff zone that covers Latvia, Estonia, and Finland. In addition, for the purpose of ensuring the best possible conditions for the market participants to benefit from the Lithuanian LNG terminal and in order to increase the competitors' pressure on the prices in the gas market, a 75% discount has been applied since 2019 to the gas transmission price at the entry point in Klaipėda. The prices approved for 2021 reflect harmonisation of the entry point prices with entry point prices in the adjacent tariff zone covering Latvia, Estonia and Finland, and application of a 75% discount.

It is important to note that debates are still under way regarding Lithuania's joining of the adjacent tariff zone covering Latvia, Estonia and Finland (the FINESTLAT tariff zone), and regarding the effective Baltic and Finnish gas market integration measures. The results of the study on integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets (which has been conducted since April 2020 upon request of the transmission system operators from Lithuania, Latvia, Estonia and Finland) showed that Lithuania's joining of the adjacent tariff zones is purposeful and beneficial for the entire region. In cooperation with other operators, an analysis of alternatives for potential Inter-TSO Compensation Mechanism was undertaken in Lithuania in order to ensure that Lithuania joins the FINESLAT tariff zone on such terms and conditions that are beneficial and balanced for all the parties. If a compromise solution were reached, Lithuania would join the FINESTLAT tariff zone as from 2023.

4.5.2. BALANCING OF GAS FLOWS IN THE TRANSMISSION SYSTEM

Amber Grid ensures the balancing of natural gas flows in the transmission system. By following the Rules for Balancing Natural Gas Flows in the Transmission System, the Company purchases balancing gas from a gas market participant when there occurs gas surplus in the transmission system, and the Company sells balancing gas to a gas market participant when there occurs gas shortage in the transmission system. In 2020, due to the imbalance caused by the system users, the Company bought 20.9GWh and sold 17.6GWh of gas.

Transmission of gas from/to third countries causes mixing of physical gas flows in the transmission system, which in turn results in a difference between the gross calorific value of gas at the entry and exit points of the gas transmission system. In 2020, transmission of gas to Kaliningrad Region resulted in a 312.5 GWh difference at the entry and exit points of the transmission system, which was compensated to the Company through payment for the transmission services from/to third countries.

Apart from balancing of gas flows of the system users and other gas market participants, the quantity of natural gas contained in the pipelines of the Company's transmission system fluctuates due to technical and technological characteristics of the transmission system.

4.5.3. ADMINISTRATION OF FUNDS INTENDED FOR COMPENSATION OF CONSTRUCTION COSTS AND FIXED OPERATING COSTS OF THE LNG TERMINAL, ITS INFRASTRUCTURE AND THE CONNECTOR, AND FOR COMPENSATION OF REASONABLE COSTS INCURRED BY THE DESIGNATED SUPPLIER

In order to ensure compliance with the requirements of the legal acts (the Law on Liquified Natural Gas Terminal and the supplementing legal acts), the Company collects, administers and pays out the LNG terminal funds to the terminal operator (AB Klaipėdos Nafta) and to the designated supplier (Ignitis UAB) in accordance with the procedure prescribed by laws, and these funds are used to compensate Amber Grid for the costs of administration of the LNG terminal funds.

On 30 December 2019, the NERC approved an extra charge of 343.71 EUR/(MWh/day/year) related to natural gas supply security with effect from 1 January 2020. On 30 November 2020, the NERC approved an extra charge of 346.11 EUR/(MWh/day/year) related to natural gas supply security with effect from 1 January 2021.

The table below presents apportionment of the LNG terminal funds among their beneficiaries, as agreed with the NERC, with effect from 1 January

Components	**Apportionment effective from 1 January 2020**	**Apportionment effective from 1 January 2021**
Regasification of liquefied gas	56,53%	43,74%
Administration costs	0,11%	0,12%
Reasonable supply costs of the required quantity for the LNG terminal	43,35%	56,14%
Total	100%	100%

Table 3. Apportionment of the LNG terminal funds among their beneficiaries in 2019-2020

2020 and 1 January 2021.

There were legal disputes with Achema AB in relation to unpaid LNG terminal funds. Currently, 2 civil cases are pending at the courts in relation to the unpaid LNG terminal funds. The hearing of both cases has been adjourned until the final procedural judgement is passed in Case No. C-847/19 P of the Court of Justice of the European Union under the appeal brought in relation to the judgement, which was passed by the General Court of the European Union in Case No. T-417/16 on 12 September 2019.

4.6. ON-GOING AND PLANNED PURCHASES AND INVESTMENTS

In June 2020, Amber Grid prepared the Ten-Year Network Development Plan (2020-2029) and submitted it for the NERC approval. The total amount of investments in the gas transmission system development projects over the next ten years is expected to reach EUR 229.15 million. The gas consumption in Lithuania is expected to increase slightly over the next ten years, as there will be a possibility to transport gas towards new directions – through the gas interconnection between Poland and Lithuania. The Network Development Plan also stipulates the main transmission system development directions, including focusing on innovations and green energy promotion.

More details about the planned investments are provided on the Company's official website at: https://www.ambergrid.lt/lt/perdavimo-sistemos-pletros-planas.

4.7. RESEARCH & DEVELOPMENT ACTIVITIES

In 2020, the Company proceeded with the administration of the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES) that was started in 2019, i.e. fulfilled the following functions: issuance, transfer and cancellation of the guarantees of origin, supervision and control over the use of the guarantees of origin, and recognition of the guarantees of origin issued in other states as acceptable in Lithuania. The system is beneficial for the energy consumers seeking to use environmentally friendly fuel produced in Lithuania or other EU Member States. In cooperation with the designated bodies and renewable gas organisations in other countries, in 2020 the Company proceeded with successful participation in the project REGATRACE (Renewable Gas Trade Centre in Europe) funded under the EU Research and Innovation programme Horizon 2020. The purpose of the project is to develop a pan-European scheme for the register of guarantees of origin for biomethane and other renewable gases, and to promote the green gas production and market development.

In response to an intensive development of RES energy generation, a significant increase in RES share in the total energy balance, the current and future challenges in balancing the power grid and integrating it into the electricity transportation system, the use of Power-to-Gas (P2G) technology is widely researched and tested across Europe, since that technology has one of the greatest potential among the currently known technologies as it allows accumulating high-power RES-generated energy and might contribute to dealing with the aforementioned challenges. It allows transforming electricity generated from RES into gaseous fuels (hydrogen and synthetic methane) and transporting it via the gas transmission and distribution networks to the storage and consumption sites, thereby contributing to decarbonization of the energy and transport sectors. Accordingly, in order to assess relevance and applicability of hydrogen gas and Power-to-Gas technology in Lithuania, in 2020 the Company proceeded with the technical and economic feasibility study, which is a part of EPSO-G Group's project Development 2050. The results of the study are available at: https://innovation.epsog.lt/musu-projektai/2020-2050-metu-lietuvos-elektros-energetikos-sistemos-raidos-scenariju-sudarymas/. In order to contribute more widely to the development of hydrogen and Power-to-Gas technology in Lithuania and the entire region, in 2020 the Company joined the Lithuanian Hydrogen Platform set by the Ministry of Energy, and became a member of the European Clean Hydrogen Alliance and Lithuanian Hydrogen Energy Association.

In 2020, the Company continued its participation in a research & development project SecureGas, where together with its international partners it aimed at safeguarding security and resilience of the EU gas grid against cyber-attacks and physical threats. The project is financed under the EU Research and Innovation Programme Horizon 2020. The purpose of the project is "to develop methodologies, measures and guidelines for ensuring security and resilience of the existing and future gas transmission infrastructure facilities against cyber-attacks and physical threats", by taking into account the requirements set forth in the European Energy Security Strategy, the European Programme for Critical Infrastructure Protection, and the EU Regulation 2017/1938 concerning measures to safeguard security of gas supply.

On the initiative of the gas transmission system operators from Lithuania and Poland, in 2020 independent experts drafted a study, where they investigated the possibilities of how to expand the commercial viability of the GIPL, and what were the drivers that would increase the economic benefits of the GIPL for the consumers and market participants in Lithuania, Poland, and other EU Members States.

4.8. BUSINESS PLANS AND PROSPECTS

The regional gas market is expected to develop gradually. Agreement on a single gas market as from 2020 has been reached only between Latvia and Estonia, which together with Finland formed a common tariff zone as from 2020. Lithuania continues its debates with the regional partners to ensure that participation in a single gas market will be beneficial for all the involved parties. If the parties of the region reach a consensus in 2021, Lithuania will join the common tariff zone as from 2023.

By contributing to Lithuania's ambitious goals for a greater share of renewable energy in the domestic energy balance, the Company participates in a number of initiatives and projects that enable its specialists to develop competencies in the field of RES gas. The Company's participation in projects REGATRACE, RAIDA 2050 and its membership in the European Renewable Gas Registry (ERGaR) association, besides the aforementioned goals, will enable it to develop new competencies that will contribute in future to the promotion of green gas production and market development in Lithuania, to safeguarding the business continuity of the Company, and to implementation of the National Energy Strategy.

It is projected that in 2021 the Company will transport about 22 TWh of natural gas to the domestic exit point for the Lithuanian system users, 4.5 TWh – to the Republic of Latvia, and around 26 TWh – to Kaliningrad Region of the Russian Federation. A larger share of total quantity of natural gas intended for the consumers in Lithuania and other Baltic countries is projected to be transported from Klaipėda LNG terminal. The exact quantity of gas flows and gas supply sources will depend on the market situation in the course of the year, as well as on climate conditions and other circumstances.

5. FINANCIAL RESULTS

The financial results cover the figures reflecting the consolidated financial performance indicators of Amber Grid and its subsidiary GET Baltic UAB, which are presented below as the Group's results of operations and financial position.

5.1. FINANCIAL PERFORMANCE INDICATORS[2]

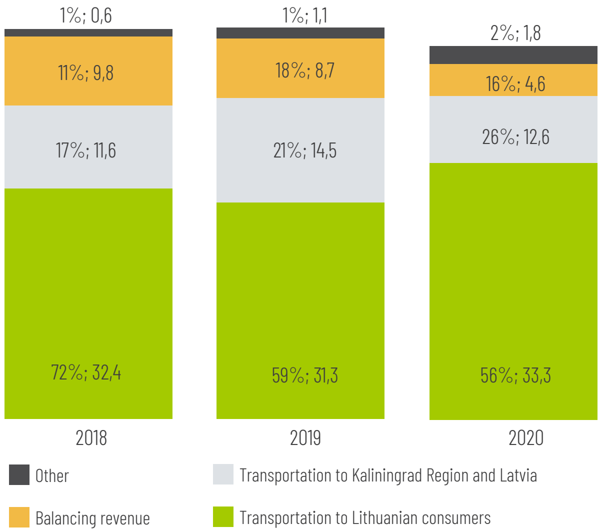
Formulas used in calculations:

- EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortisation charges + impairment charges + asset write-offs
- Net financial debt = financial debt – cash and cash equivalents
- EBITDA margin = EBITDA/ revenue
- Net profit (loss) margin = net profit (loss) / revenue
- ROA = net profit (loss) / average asset value
- ROE = net profit (loss) / average equity value
- Current ratio = current assets / current liabilities
- Quick Ratio = (current assets – inventories) / current liabilities
- Turnover of non-current assets =revenue/property, plant and equipment and intangible assets
- Equity-to-assets ratio = equity / assets
- Financial debt-to-equity ratio = financial debt / equity
- Financial debt-to-EBITDA ratio = financial debt / EBITDA
- Share price /earnings per share ratio = share price at the end of period / (net earnings / number of shares)

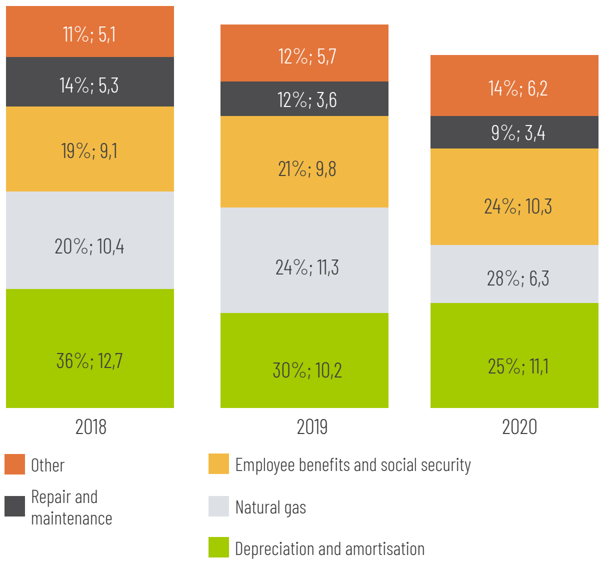
Table 4. Financial performance indicators

	2020	2019	2018
Financial results (EUR '000)			
Financial results (EUR '000)	52.286	55.619	54.562
EBITDA	26.075	25.206	24.636
Profit (loss) before tax	14.586	14.734	-26.027
Net profit (loss)	18.170	12.572	-21.608
Net cash flows from operating activities	24.672	27.216	23.359
Investments	89.720	18.279	16.034
Financial debt	119.591	71.809	80.124
Profit margins (%)			
EBITDA margin	49,9	45,3	45,2
Net profit (loss) margin	34,8	22,6	-39,6
Average return on assets (ROA)	6,68	5,31	-8,66
Average return on equity (ROE)	12,47	9,45	-14,36
Liquidity ratios			
Current ratio	1,16	0,64	0,54
Quick ratio	1,11	0,59	0,48
Turnover of non-current assets	0,21	0,27	0,27
Capital structure ratios			
Equity-to-assets ratio	0,51	0,57	0,55
Financial debt-to-equity ratio	0,77	0,53	0,62
Financial debt-to-EBITDA ratio, times	4,59	2,85	3,25
Market value indicators			
Share price/earnings per share ratio (P/E), times	9,57	13,91	-9,41
Net earnings (loss) per share, EUR	0,10	0,07	-0,12

[2] The financial indicators are presented after elimination of assets or liabilities arising from the LNG terminal funds.



Pic. 7. The Group's revenue structure in 2018-2020, %; EUR million



Pic. 8. The Group's structure of expenses in 2018-2020 (after elimination of impairment charges of assets in 2018), %; EUR million

5.2. REVENUE

In 2020, the Company's revenue totalled EUR 52,286 thousand and, compared to 2019, it decreased by 6,0%. Although with effect from this year, the tariff for the transmission services rendered by Amber Grid is 16% lower, an increased quantity of gas transported to Latvia and a higher demand for gas in Lithuania, especially in the industry sector, helped to sustain stable revenue from gas transmission services.

Revenue from balancing services decreased due to lower balancing gas prices. Other revenue (revenue from administration of the LNG terminal funds, revenue from services provided by a licensed gas market operator (UAB GET Baltic), and other revenue amounted to EUR 1,801 thousand in 2020 (Pic. 7).

Revenue from balancing services includes the following:

- Balancing of gas flows for the system users and other gas market participants involved in the balancing of the transmission system;
- Operational balancing of the transmission system determined by the technological characteristics of the transmission system and gas flow deviations (imbalances) occurring for technical causes.

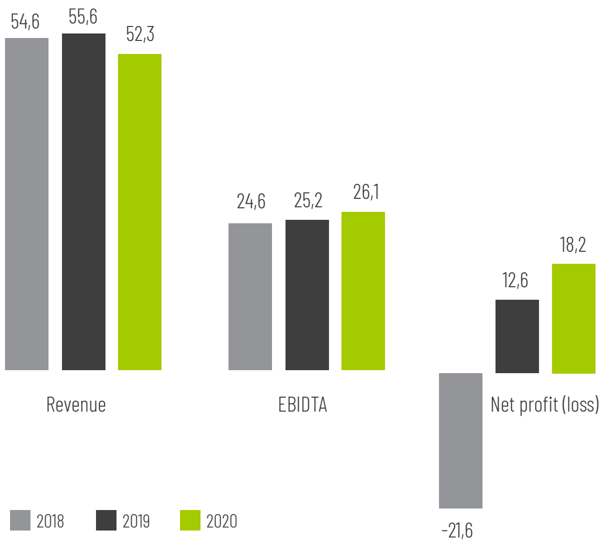
The Company is obliged to administer the LNG terminal funds under the law. For more details and disclosure of accounting for the LNG terminal funds, see the Amber Grid Consolidated and the Company's financial statements for 2020.

5.3. EXPENSES

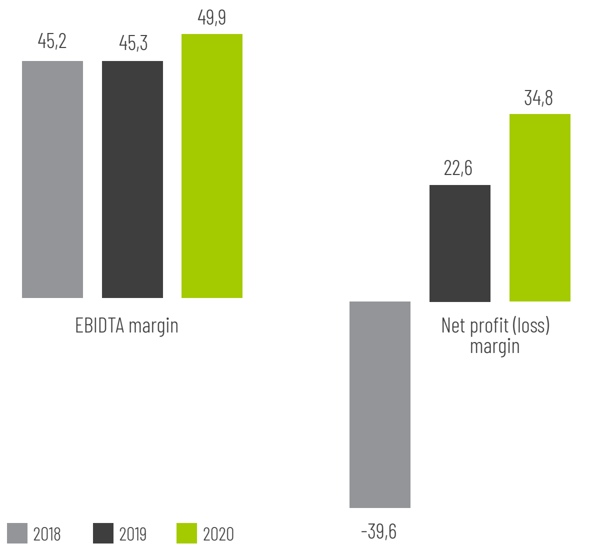
In 2020, the Group's expenses totalled EUR 37,337 thousand and, compared to 2019, they decreased by 7.9%. Such decrease was mostly driven by decrease in maintenance expenses and natural gas costs.

Depreciation and amortisation amounted to EUR 11,126 thousand and accounted for a significant portion of expenses (30% of total expenses), and increased by 9.5% compared to 2019 (Pic. 8) due to increased investments.

Employee benefits and social security contributions amounted to EUR 10,254 thousand (27% of total expenses) and increased by 4.8% compared to 2019. Repair and technical maintenance expenses amounted to EUR 3,405 thousand (9% of total expenses) and decreased by 4.7% compared to 2019.



Pic. 9. The Group's financial performance in 2018-2020, EUR million.



Pic. 10. The Group's profitability in 2018-2020, %.

Natural gas costs amounted to EUR 6,345 thousand (17% of total expenses) and decreased by 44% compared to 2019 due to lower gas prices. The Company purchased natural gas for technological needs, for balancing gas flows of system users and other gas market participants involved in the balancing of transmission system, and for operational balancing.

5.4. RESULTS OF OPERATIONS

In 2020, the Group's net profit totalled EUR 18,170 thousand, i.e. increased by 45% compared to EUR 12,572 thousand in 2019.

In 2020, the Group's profit before tax amounted to EUR 14,586 thousand (2019: EUR 14,734 thousand), while earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 26,075 thousand (2019: EUR 25,206 thousand).

A better financial performance was driven by larger quantities of transmitted gas, higher revenue from transmission services, and lower expenses in 2020.

5.5. INVESTMENTS

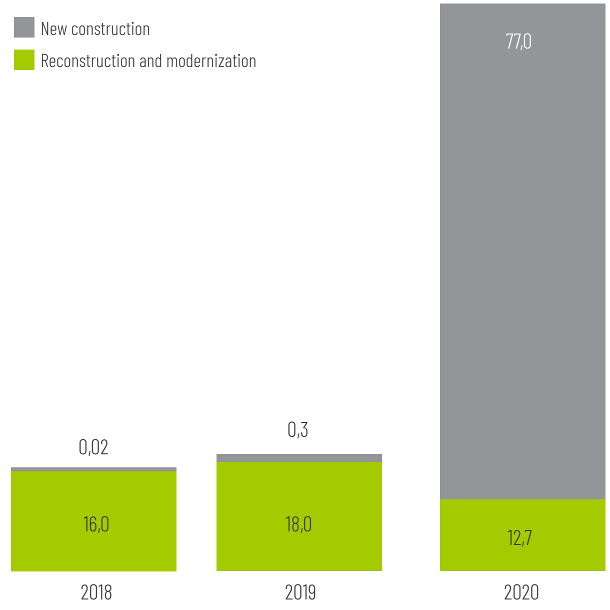
In 2020, the Group's investments increased and totalled EUR 89,720 thousand (2019: EUR 18,279 thousand) (Pic. 11).

Investments in the GIPL project accounted for 86% of total investments during 2020. Investments in reconstruction and modernisation of assets accounted for the remaining part.

5.6. ASSETS

At the end of 2020, the Group's assets totalled EUR 316,371 thousand: non-current and current assets accounted for 80.8% and 19.2% of total assets, respectively.

In 2020, non-current assets increased by 22% and amounted to EUR



Pic. 11. The Group's investment structure in 2018-2020, EUR million.

255,757 thousand due to investments that exceeded depreciation. At the end of 2020, the Group's current assets amounted to EUR 60,614 thousand, i.e. increased by 30% compared to 2019. Such increase was mostly driven by increase in grants receivable.

5.7. EQUITY AND LIABILITIES

In 2020, the Company's equity increased by 13% and totalled EUR 154,830 thousand at the end of the reporting period. Equity accounted for 48.9% of the Group's total assets at the end of the reporting period.

In 2020, amounts payable and liabilities increased by 35% and amounted to EUR 161,541 thousand at the end of the reporting period. Increase in amounts payable and liabilities was caused by increase in financial debt in relation to intensive implementation of the GIPL project, for the funding of which a long-term loan agreement was signed with the European Investment Bank in 2020.

In 2020, financial debt amounted to EUR 119,591 thousand, i.e. increased by EUR 47,782 thousand during the reporting period. The financial debt-to-equity ratio was 77.2%.

5.8. CASH FLOWS

In 2020, the Company's cash flows from operating activities amounted to EUR 24,672 thousand (2019: EUR 27,216 thousand). Cash outflows related to acquisition of non-current assets amounted to EUR 86,315 thousand (2019: EUR -19,915 thousand), and those related to payment of dividends for the previous periods amounted to EUR 3 thousand (2019: EUR 5,228 thousand). In 2020, the EU financial support obtained to finance the investment projects amounted to EUR 15,065 thousand (2019: EUR 6,941 thousand).

5.9. REFERENCES TO AND ADDITIONAL EXPLANATIONS OF DATA REPORTED IN THE ANNUAL AMBER GRID CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS

Other information has been disclosed in the notes to the annual Amber Grid Consolidated and the Company's financial statements for the year 2020.

5. 10. INFORMATION ON SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Significant events after the end of the reporting period have been disclosed in the notes to the annual Amber Grid Consolidated and the Company's financial statements for the year 2020.

5.11. INFORMATION ON ANY FORM OF FINANCIAL ASSISTANCE

The financial assistance (support) policy is described in the Social Responsibility Report for the year 2020. The Company provided no other form of financial assistance during the reporting period.

5.12. INFORMATION ON RELATED- PARTY TRANSACTIONS, SIGNIFICANT ARRANGEMENTS AND DETRIMENTAL TRANSACTIONS

Information on related-party transactions is presented in the consolidated annual financial statements for 2020.

As at 31 December 2020, the Company was a party to the following significant arrangement entitling the counterparties to terminate the transactions concluded with the Company following the changes in the Company's control: the loan agreement of 19 August 2015 with the Nordic Investment Bank; the loan agreement of 18 May 2018 with OP Corporate Bank plc. Lithuanian branch; the long-term loan agreement of 30 June 2020 with the European Investment Bank. The terms of the loan agreements are deemed to constitute bilateral confidential information of the parties to the respective agreements, and their disclosure could inflict damage on the Company.

During the reporting period, the Company neither entered into any detrimental transactions (transactions that are inconsistent with the Company's objectives or standard market terms, that infringe on interests of shareholders or any other stakeholders, etc.), nor into any transactions giving rise to conflict of interests in respect of responsibilities fulfilled by the Company's management, controlling shareholders or any other related parties, also in respect of the Company's interests and their private interest and/or other responsibilities.

The Audit Committee of EPSO-G, which operates at the group level and performs the functions of the Audit Committee of Amber Grid, provides opinions on related-party transactions of Amber Grid. The Audit Committee assesses whether the respective related-party transaction has been concluded in line

5.13. INFORMATION ON MATERIAL INTEREST HELD DIRECTLY AND INDIRECTLY

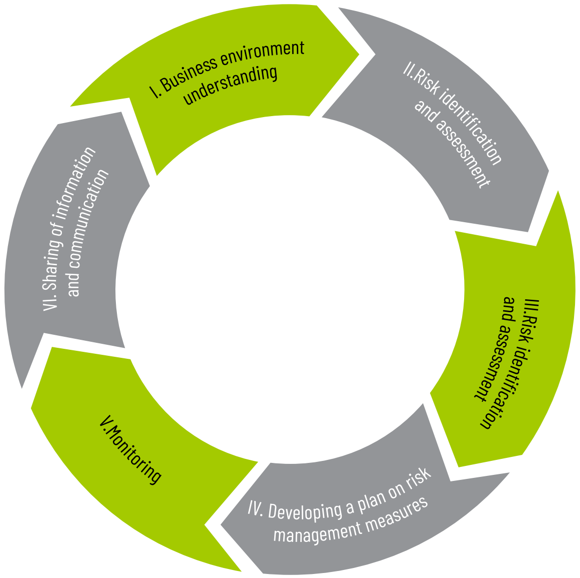
As at 31 December 2020, the Company owned 100% of shares of its subsidiary GET Baltic UAB. More details on the controlled entity are provided in the annual Amber Grid Consolidated and the Company's financial statements for the year 2020.

6. RISKS AND RISK MANAGEMENT

6.1. RISKS AND RISK MANAGEMENT

Risk is understood by the Company as a probability of unforeseen events that may have impact, negative or positive, on the Company's ability to achieve its strategic and business goals. The Company focuses on active management of its risks, and by doing so, it seeks to achieve the following goals:

- increase the probability of success in achieving the Company's business goals and ensuring efficiency of operations;
- proactively plan and co-ordinate implementation of measures aimed at mitigating the negative impact of potential events and/or the probability of their occurrence.
- improve safety of employees, third parties and environment;
- improve prevention and management of unforeseen events;
- build confidence in the Company by the general public and the State.



Pic. 12. Key risk management processes

The risk management is understood as a structured approach towards management of uncertainties.

A group of risk management processes consists of the following processes:

- **I. Business environment understanding.** Each year, the risk owners assess changes in respect of the Company's goals, internal and external environment, organisational structure, and identify new potential risks.
- **II. Risk identification and assessment.** Based on historical data, expert evaluation and the results of monitoring the risks and implementation of risk management measures, the Company's risks are defined, by identifying their sources, affected areas, risk-related events, their causes, potential impact expressed in quantifiable financial terms (EUR), and existence of risk in a long run. The risk type is identified, and the currently applied risk management measures are described. The Company assesses the risk probability, impact and level values, identifies the potential risk management measures in view of interdependancies among the risks. The units that are responsible for the risk management carry out the risk identification and assessment process in parallel to the process which takes place at EPSO-G, and reports the related information to EPSO-G's risk management and prevention unit.
- **III. Risk prioritisation.** A session on prioritisation of risks is initiated in order to review the list of risks drafted during the process II. The Company identifies the top priority risks. If during this process any doubts arise in relation to certain probabilities, impact, risks management measures or any other aspects, a repeated analysis of those risks is initiated.
- **IV. Developing a plan on risk management measures.** This process involves elaboration and approval of the Company's plan on risk management measures in respect of the risks identified during the process III. The plan also includes the resources required for management of risks, and it is subject to approval by the Board. The amount of funds required for the implementation of the risk management measures is considered when planning the next year budget. In case the amount budgeted for risk management differs from the amount specified in the plan on risk management measures, adjustments should be made to the Company's plan on risk management measures. The final plan on risk management measures together with the budget are subject to approval by the Board. The goals of the plan on risk monitoring and risk management measures are linked to the annual performance goals of employees fulfilling the risk monitoring and management functions.
- **V. Monitoring.** This process involves periodic monitoring of risks and of implementation of the risk management measures, which includes assessment of changes in risk level, the progress achieved with the implementation of risk management measures, and their effectiveness. The risk owners and the employees responsible for implementation of risk management measures regularly report the monitoring results to EPSO-G's the risk management and prevention unit and to the Company's Board. When a value greater than the risk tolerance or a critical value of the key risk indicator (KRI) is recorded and new risks are identified, the KRI value of which exceeds the risk appetite, the new risk management measures are envisaged and corrections are made in the plan on risk management measures, which are subject to approval by the Board.
- **VI. Sharing of information and communication.** Continuous communication within the Company between the risk owners, the risk management unit, the risk management and prevention unit of EPSO-G, the CEO and collegial bodies of the Company is fundamental for an effective risk management. Effective communication requires

ensuring that the relevant information is communicated to the responsible employees on a timely basis.

The risk management is carried out in accordance with the methodology described in the international standard COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission, Enterprise Risk Management). The Company is fully integrated into EPSO-G Group's Risk Management Policy and follows the Group's Risk Management Methodology. The Risk Management Policy and the Risk Management Methodology are approved and amended by the decision of the Company's Board, whereas the entire process is coordinated by the Audit Committee of EPSO-G, which also fulfils the functions of the Company's Audit Committee.

The risks incurred by the Company are grouped into the following categories:

- **Political:** Impact of decisions made by the state authorities in Lithuania and neighbouring countries on the Company's and/or the Group's operations, including energy reforms, tax policy, remuneration and/or safety and/or other regulations, trade restrictions, and political stability.
- **Economic:** Impact of domestic and global market on the Company's operations, including competition among the subcontractors, industry development trend, changes in electricity and gas market prices, concentration of consumers, fluctuations in interest rates, inflation, exchange rates, credit availability, GDP, etc.
- **Social:** Impact of demographic changes, such as age and education of employees and consumer wealth distribution, also impact of changes in consumer habits or energy consumption on the Company's operations.
- **Technological:** Impact of equipment malfunctioning, changes in innovation and technology market, and cyber-attacks on the Company's operations.
- **Legal:** A risk that the Group will be held liable in the ordinary course of business in accordance with the procedure set forth in the legal acts due to failure to fulfil its commitments to its employees, customers and suppliers, untimely fulfilment of work, or for other reasons.

Information on concentration risk, gas purchase price risk and financial risks (liquidity, credit, interest rate risks) is disclosed in more detail in the Amber Grid Consolidated and the Company's financial statements for the year 2020.

6.2. COVID-19 RISK MANAGEMENT

In 2020, the currently effective business continuity and preventive measures were reviewed, and the new ones were planned:

- Appointment of employees responsible for monitoring and reporting the situation;
- Possibility for employees returning from risk countries to work remotely, take holiday or a temporary leave;
- Identification of business units, employees and substitute employees undertaking the critical functions and administrating the main systems;
- Implementation of remote work organisation measures;
- Sharing of information on preventive measures with employees.

Additional organisational measures were introduced at the system operation centre, the technical and staff substitution measures were planned at the system operation centre in case of spread of the virus. The emergency management plan was reviewed, additional documents were drafted and the following measures were implemented: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions,

6.3. INTERNAL CONTROL SYSTEM AT THE COMPANY

The Company's financial statements are prepared according to International Financial Reporting Standards, as adopted by the EU.

The Company has adopted the Manual of Accounting Procedures and Policies that defines the principles, methods and rules of accounting, financial reporting and presentation. In addition, seeking to ensure timely preparation of the financial statements, the Company follows the internal rules that define the deadlines for the submission of accounting documents and preparation of the financial statements.

A "four-eye" principle is followed when preparing the financial statements. The Accounting Unit is responsible for the preparation and review of financial statements.

7. GOVERNANCE REPORT

7.1. INFORMATION ON COMPLIANCE THE CORPORATE GOVERNANCE CODE

The Company complies with the Corporate Governance Code for Companies Listed on NASDAQ Vilnius Stock Exchange (available at www.nasdaqbaltic.com; hereinafter referred to as "the Code"). The Code is applicable to the extent it is consistent with the Articles of Association of the Company. The Company has disclosed its compliance with the requirements of the Code, and such information is available on the Company's official website at www.ambergrid.lt, and on the Central Storage Facility at www.crib.lt.

7.2. SHARE CAPITAL

The Company's authorised share capital amounts to EUR 51,730,929.06 It is divided into 178,382,514 ordinary registered shares with par value of EUR 0.29 each. An ordinary registered share of EUR 0.29 par value grants its holder one vote at the General Meeting of Shareholders. All the shares have been fully paid.

> No shareholder of the Company has any special control rights. According to the Company's Articles of Association, decisions on the issue of new shares and repurchase of own shares may be made only by the general meeting of shareholders of the Company.

There were no changes in the Company's ownership structure during 2020. EPSO-G UAB retained its 96.58% shareholding in the Company and was the only shareholder holding more than 5% of the Company's shares. EPSO-G UAB has a casting vote in the decision-making process at the General Meeting of Shareholders.

7.3.SHARES AND SHAREHOLDER RIGHTS

The number of the Company's shares that entitle their holders to vote at the General Meeting of Shareholders matches the number of shares in issue, which is equal to 178,382,514 shares. All property and non-property rights conferred by the shares of Amber Grid are equal, and none of the Company's shareholders has special control rights. In accordance with the Company's Articles of Association, only the General Meeting of Shareholders can make the decisions on issuance of new shares and acquisition of own shares.

To the knowledge of the Company, there are no mutual arrangements between the shareholders that might result in restrictions on the transfer of securities and/or on voting rights. There are no restrictions imposed on the voting rights at the Company.

In 2020, the Company had no own shares and had no transactions relating to acquisition or disposal of its own shares.

7.4. SHAREHOLDERS

As at 31 December 2020, Amber Grid had over 2,280 shareholders (Lithuanian and foreign natural and legal persons), whereof 1 (one) shareholder held more than 5% of the Company's shares.

The Company's shareholder structure is provided in Pic. 13.

Shareholder	Registered office address / legal entity code	Ownership interest, number of shares
EPSO-G UAB	Gedimino pr. 20, Vilnius, Lithuania/302826889	172.279.125
Minority shareholders		6.103.389
Total		178.382.514

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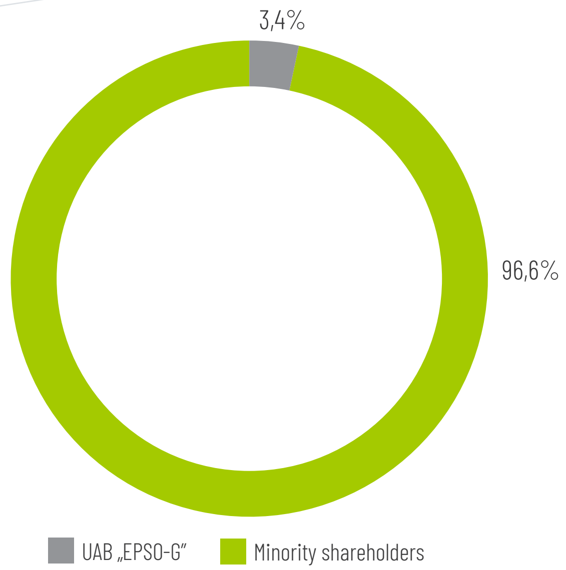


Pic. 13. Shareholder structure as at 31 December 2020

7.5. DETAILS OF TRADING IN SECURITIES ON REGULATED MARKETS

Since 1 August 2013, the Company's shares have been offered for trade on the regulated market and quoted on the Secondary List of NASDAQ Vilnius Stock Exchange.

In 2020, the trading turnover in the Company's shares was EUR 0.56 million (2019: EUR 0.38 million), with the total of 345,565 shares (2019: 345,565 shares) transferred under the transactions. The Company's share price dynamics is presented in Pic. 14, and details on the Company's share price and turnover (2017–2020) are provided in Pic. 15.

Basic details of Amber Grid shares	
ISIN code	LT0000128696
LEI code	097900BGMP0000061061
Ticker	AMG1L
Shares in issue (number of shares)	178,382,514

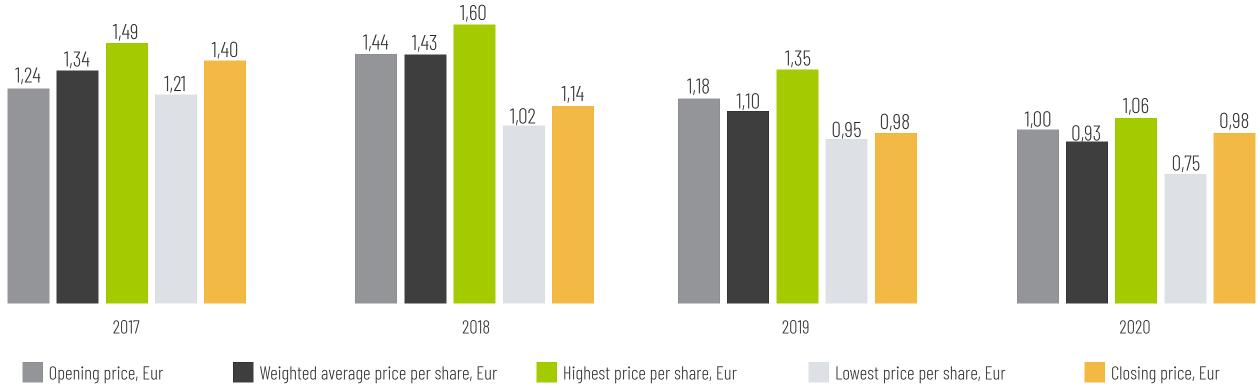
Table 6. Basic details of Amber Grid shares

As at 31 December 2020, Amber Grid's market capitalisation reached EUR 173.92 million. The quoted price per share and the market capitalisation decreased by 0.51% in 2020.

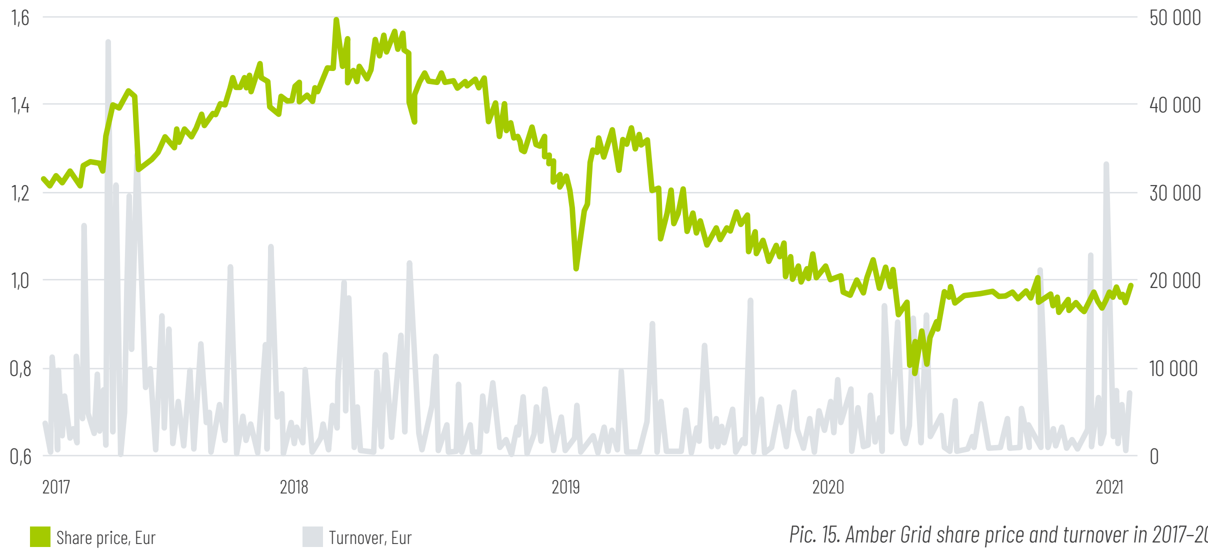
7.6. DIVIDENDS

The Group's and the Company's Dividend Policy stipulates uniform rules for estimation, payment and declaration of dividends across all companies of EPSO-G Group.

The main purpose of the Dividend Policy[3] is to set clear guidelines regarding the expected return on equity for the existing and potential shareholders through sustainable corporate value growth of the Group and its companies, and development of the strategic projects, thereby consistently strengthening trust in the whole group of energy transmission and exchange companies.



Pic. 14. Share price dynamics at NASDAQ Vilnius Stock Exchange in 2017–2020.



Pic. 15. Amber Grid share price and turnover in 2017–2020.

[3] The Company's and the Group's Dividend Policy was approved by the Board of Amber Grid, with its last edited version presented on 20 February 2020. The document is available at https://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/dividendai

On 20 April 2020, the Ordinary General Meeting of Shareholders approved the proposal of the Company's Board not to distribute profit for 2019.

7.7. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC TRADING IN SECURITIES

Amber Grid has an agreement with SEB Bank AB for provision of accounting and related services of the Company's securities.

On 30 April 2018, the Company concluded an agreement with AB SEB Bank on the payment/distribution of dividends to minority shareholders, under which AB SEB Bank calculates and pays out dividends to all the shareholders of the Company, except for EPSO-G UAB.

7.8. MANAGEMENT STRUCTURE

In performing its activities, the Company complies with the Law on Companies, the Law on Securities, the Company's Articles of Association, and other legal acts of the Republic of Lithuania. The powers of the General Meeting of Shareholders, the rights of shareholders and exercising of such rights are defined in the Law on Companies and the Articles of Association of the Company, which are available on the Company's official website at www.ambergrid.lt/en/about-us/investors-relations/bylaws. The last amendments to the Articles of Association of the Company were made on 23 December 2019.

Details of SEB Bank AB	
Legal entity code	112021238
Registered office address	Konstitucijos pr. 24, LT-08105, Vilnius, Lithuania
Phone	+370 5 268 2800
Email	info@seb.lt
Official website	www.seb.lt

Table 7. Bank's requisite details

On 23 December 2019, the General Meeting of Shareholders adopted the decision to amend the Articles of Association of the Company, by stipulating that the Board shall elect the Board's lawyer and shall be accountable for its activities by submitting an annual report to the General Meeting of Shareholders.

The Articles of Association provide for the following bodies of the Company:

- The General Meeting of Shareholders,
- The Board – a collegial management body;
- The head of the Company – the CEO – a single-person management body.

THE GENERAL MEETING OF SHAREHOLDERS

The Company's procedure for convening the General Meeting of Shareholder, decision-making process, and the powers of the General Meeting of Shareholders are consistent with those stipulated in the Law on Companies of the Republic of Lithuania (the Law on Companies), except for the additional powers of the General Meeting of Shareholders stipulated in Article 26 of the Company's Articles of Association.

Article 26 of the Articles of Association stipulates that the General Meeting of Shareholders also takes decisions regarding as follows (additional powers of the Meeting):

- approval of the Board's decisions as set forth in Article 38[4] of the Articles of Association. As the Meeting approves the Board's decisions regarding the specific transactions, the Meeting, inter alia, approves the essential terms and conditions of such transactions;
- appointment and removal from office of the Board members, determination of remuneration of Board members, determination of annual remuneration budget for remuneration of the Board members and compensation for costs related to fulfilment of functions at the Board, signing of agreements with the Company's Board members regarding their functions at the Board, determination of standard terms of such agreements;
- removal or non-removal from office of the Board members at the time of taking the decisions that involve the conflicts of interests of the Board members, in cases stipulated in Article 48[5] of the Articles of Association.

THE BOARD

The Articles of Association of Amber Grid stipulate that the Board consists of five members appointed by the General Meeting of Shareholders for the term of office of four years, with regard to the recommendations provided by the Remuneration and Nomination Committee. Two members of the Board shall be independent members.

A continuous term of office of a Board member shall be no longer than two consecutive terms, i.e. no more than eight consecutive years.

[4] 38. The following decisions of the Board shall be subject to approval by the Meeting:
38.1. on the transfer, pledge or other encumbrance of the shares (ownership interest, member contributions) held by the Company or the rights carried by such shares (ownership interest, member contributions) or any other rights of a member of a legal entity;
38.2. on the transfer of a complex of assets or a substantial part thereof owned by the Company's controlled entities and/or associates, if the carrying amount of the assets transferred exceeds 1/50 of the share capital of the Company;
38.3. on the transfer, pledge, change of a legal status, any other encumbrance or disposition of the Company's assets included in the List of Facilities and Assets of Special Strategic Importance for Ensuring National Security, as stipulated in the Law on Protection of Objects of Importance for Ensuring National Security of the Republic of Lithuania, if the value of the above-referred assets exceeds 1/50 of the share capital of the Company;
38.4. on the transfer, other disposition or encumbrance of the shares and the rights carried by the shares held in directly or indirectly controlled entities that are the owners of and that develop, operate, use or otherwise have the disposition of the assets referred to herein in subparagraph (iii), on the increase, reduction of the share capital of such entities or on any other actions that may lead to changes in the share capital structure of such entities (e.g., issuance of convertible debentures), and on the reorganisation, spinoff, restructuring, liquidation, rearrangement of the entities referred to herein, or on any other actions that lead to changes in a legal status of the entities referred to herein;
38.5. on the investment, transfer, lease (estimated individually for each type of transaction), pledge or mortgage (estimated as a total amount of transactions) of the Company's assets with the carrying amount exceeding 1/5 of the share capital of the Company;
38.6. on any transactions that involve arrangements on payment of penalties with the total amount exceeding 1/5 of the share capital of the Company;
38.7. on offering of surety or guarantee for the discharge of obligations of third parties, the amount whereof exceeds 1/5 of the share capital of the Company;
38.8. on the acquisition of assets for the price exceeding 1/5 of the share capital of the Company;
38.9. on the submission of the Company's projects for recognising them as the projects of special national importance and/or projects important to the State, as defined in the legal acts.

[5] A member of the Board shall neither refuse to vote nor abstain, except for the cases specified by laws and these Articles of Association. If a member of the Board takes part (votes, participates in discussions, etc.) in a decision-making process, which is (directly or indirectly) related to personal interests of the respective member of the Board, the respective member of the Board shall immediately refrain from any actions pertaining to fulfilment of his functions, and shall notify the Board of the existing conflict of interests. The Board shall decide on the suspension of the member of the Board from voting at the time of making a decision on the specific matter, and when the Board is unable to decide as none of the Board members are able to vote on the specific matter due to a conflict of interests, the respective decision on the suspension of Board members shall be made by the Meeting.

The Board members are selected in accordance with the *Description of selection of candidates to the board of a state or municipal enterprise and candidates to a collegial supervisory or management body elected by the general meeting of shareholders of an enterprise owned by the state or municipality*, as approved by Resolution No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

The powers of the Board of the Company are consistent with those stipulated in the Law on Companies, except for the additional powers stipulated in Article 36-44[6] of the Articles of Association.

Additional powers of the Board encompass approval of the fundamental documents of the Company (Strategy, Action Plan, Budget, etc.), determination of employment terms and conditions of the CEO, determination of prices for gas transmission services and other regulated services, approval of disposal of the Company's assets, conclusion of material transactions stipulated in the Articles of Association.

The Board of the Company also fulfils the following supervisory functions:

- with regard to the opinion of the Audit Committee, approves or disapproves the transactions with related parties;
- supervises the activities of the CEO, submits comments and suggestions to the Meeting regarding the activities of the CEO;
- considers whether the CEO is fit to hold the office in case the Company is operating at a loss;
- submits suggestions to the CEO on revocation of the decisions that are in conflict with the laws and other legal acts, with the Articles of Association, and with the decisions taken by the Meeting or the Board;
- decides on other matters pertaining to supervision of activities of the Company and the CEO that are assigned to the authority of the Board under the Articles of Association or by the decision of the Meeting.

Information about the Board members, the CEO, and the Chief Accountant of Amber Grid is presented in Table 8.

Overall, 24 Board meetings were held during 2020.

[6] The Company's Articles of Association are available on the official website at: https://www.ambergrid.lt/lt/apie_mus/rubrika-investuotojams/istatai

[7] Information on professional experience of the Board members is available on: https://www.ambergrid.lt/lt/apie_mus/valdymas/valdyba, and information on professional experience of the Company's CEO and other executive personnel on: https://www.ambergrid.lt/lt/apie_mus/valdymas/vadovybe

Full name	Job position	Term of office	Job positions held elsewhere	Shares held in Amber Grid	Qualification[7]
Algirdas Juozaponis	Chairman of the Board (elected on 28 April 2018)	From 07/09/2021 to 19/04/2020	CFO, EPSO-G UAB Chairman of the Board, LITGRID AB	None	Vilnius University, Master in Banking
Renata Damanskytė-Rekašienė	Board member	From 20/04/2020	Director for Legal and Corporate Governance, EPSO-G UAB	None	Vilnius University, Faculty of Law, Majoring in commercial Law, Master of Law; Baltic Institute of Corporate Governance, Professional Board Member; Lawyer's Certificate
Ignas Degutis	Independent Board member	From 20/04/2020	CFO, Board member, RB Rail AS (Rail Baltica)	None	ISM University of Management and Economics, Master in Economics; Baltic Institute of Corporate Governance, Education Programmes for Council/Board Members and Chairs
Sigitas Žutautas	Independent Board member	From 07/09/2018 to 19/04/2020 From 20/04/2020	Director, Būsto Paskolų Draudimas UAB Chairman of Innovation and Development Committee, EPSO-G UAB	None	Vilnius University, Master in Business Management and Administration; ESMT European School of Management and Technology, Berlin, post-graduate studies
Rimvydas Štilinis	Board member	From 26/04/2016 to 19/04/2020 From 20/04/2020 to 31/08/2020	Director for Infrastructure, EPSO-G UAB; Board member, state-owned company Ignalina Nuclear Power Plant	-	Baltic Institute of Corporate Governance, Professional Board Member; Kaunas University of Technology, Master in Energy Engineering
Nerijus Datkūnas	Independent Board member	From 26/04/2016 to 19/04/2020	Strategy Facilitator, Management Consultant, Corporate Finance Professional; Lecturer	-	Baltic Management Institute, Master in Business Administration; Vilnius University, Master in Production Economics and Management; Baltic Institute of Corporate Governance, Professional Board Member
Nemunas Biknius*	CEO	From 28/10/2019 to 07/04/2020	None	Holds 0.001505% of shares in Amber Grid	
Rasa Baltaragienė	Head of Accounting Department	From 02/12/2019	-	None	

* In October 2019, following the resignation of Mr. Saulius Bilius from the position of the CEO, and appointment of Mr. Nemunas Biknis as an acting CEO, his powers as the Chairman and Board member were suspended.

Table 8. Information about the Board members, the CEO, and the Chief Accountant

ATTENDANCE AT THE BOARD MEETINGS:

There were 24 meetings of the Board held in 2020, the members of the Board participated:

Algirdas Juozaponis — 24

Renata Damanskytė-Rekašienė (Beginning of the term 20/04/2020) — 16

Sigitas Žutautas — 24

Ignas Degutis (Beginning of the term 20/04/2020) — 16

Rimvydas Štilinis (End of the term 31/08/2020) — 16

Nerijus Datkūnas (End of the term 19/04/2020) — 8

DECISIONS ADOPTED BY THE BOARD DURING 2020:

Table 10. List of decisions adopted by the Board of Amber Grid

January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
14/01 **Approved the strategy for 2017-2022 and the action plan for 2020-2022.** **20/01** Assessed achievement of the CEO's goals for 2019.	**13/02** **Approved the CEO's goals for 2020 and assessment indicators.** **20/02** Joined the updated policies of accounting, dividends, management of interests of collegial management bodies, executives and employees. Approved the structure of ranges for job position levels and remuneration of executive personnel, the plan on risk management measures for 2020, updated the list of job positions. Initiated selection to the Board members of GET Baltic.	**24/03** Joined the updated risk management methodology. Amended the terms and conditions of cash pool agreement between Amber Grid AB and EPSO-G UAB. Approved participation in the activities of EASEE-gas (European Association for the Streamlining of the Energy Exchange-gas). **Approved the report on implementation of the Strategy.** **27/03** **Approved the Company's consolidated annual report, set of financial statements, proposed profit appropriations.** Initiated the Ordinary General Meeting of Shareholders.	**07/04** **Appointed the CEO.** **14/04** Decided on the voting during the ordinary general meeting of GET Baltic. **28/04** Nominated an independent Board member to the Innovation and Development Committee.	**05/19** **Determined the prices for gas transmission services for 2021.** Joined the compliance management policy and the updated selection policy. Approved the preliminary terms of transaction for phase II of reconstruction of separate sections of the main pipeline.	**09/06** **Approved the ten-year network development plan.** Approved the list of projects under control. **25/06** **Approved a new organisational structure.** Amended the terms and conditions of cash pool agreement between Amber Grid AB and EPSO-G UAB.

July 2020	August 2020	September 2020	October 2020	November 2020	December 2020
21/07 Approved the list of job positions, the range structure for job position levels and remuneration of executive personnel, middle-level managers. **Approved the amendment to the loan agreement with the Nordic Investment Bank.**	**11/08** Joined the European Clean Hydrogen Alliance. **27/08** Convened the Extraordinary General Meeting of Shareholders. Decided on the voting at the General Meeting of Shareholders of GET Baltic.	**22/09** Approved the final essential terms of transactions for the investment projects.	**20/10** Decided on increasing the maximum number of FTEs. Discussed the action plan on changes in the organisational culture.	**19/11** Approved amendments to the action plan for 2020-2022. Discussed the Company's draft budget for 2021. **20/11** **Approved the draft strategy for 2021-2030 and the draft action plan for 2021-2023.** **26/11** **Joined the arrangement regarding the formation of the Lithuanian hydrogen platform and co-operation.**	**15/12** **Approved the budget for 2021.** **Approved the plan on risk management measures for 2021.** Updated the list of commercial secrets and confidential information. Joined the updated policy and methodology for compliance management. Joined the Hydrogen Energy Association. **23/12** Approved the arrangement with the CEO regarding derogation from the provisions of the Labour Code of the Republic of Lithuania.

During the self-assessment session held on 20 February 2020, the Board identified the following areas for improvement and will seek to:

- improve monitoring of implementation of decisions made by and recommendations obtained from collegial bodies;
- focus more on risks and their management;
- increase awareness of the specific nature of activities in the energy sector.

Remuneration of the Company's CEO for the reporting period amounted to EUR 117,000 (gross).

Based on the Company's Articles of Association, the Audit Committee's functions at Amber Grid are fulfilled by the Audit Committee of the parent company EPSO-G UAB. It is stipulated that the Articles of Association can be amended by the decision of the General Meeting of Shareholders adopted by majority vote of 2/3 of shareholders present at the meeting.

The Company has no branches or representative offices.

More details about the Committees of Amber Grid are available in the consolidated annual report of EPSO-G Group.

7.9. INFORMATION ON INTERNAL AND EXTERNAL AUDIT

To ensure transparency and efficiency of its operations, EPSO-G Group has implemented a centralised internal audit system. It means that the internal audit unit fulfils the assigned functions at the Group level, and is directly accountable to the Board of EPSO-G UAB, the majority of which are independent members. The auditors of EPSO-G UAB are not subordinate to the administration personnel of the auditee.

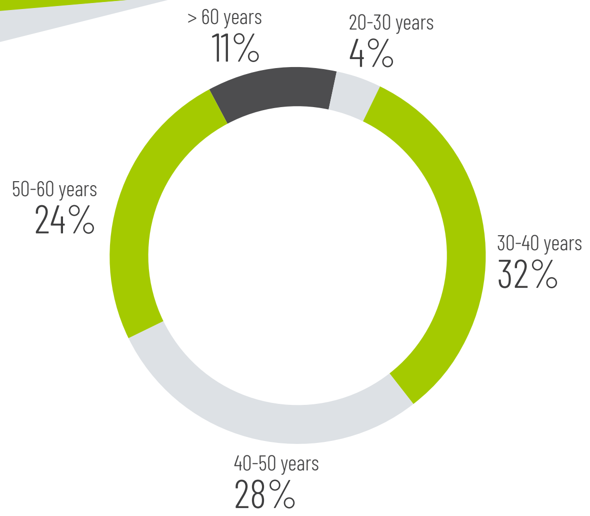
The Company's financial statements were audited by the following external audit firms:

- Deloitte Lietuva UAB for the year 2018;
- Deloitte Lietuva UAB for the year 2019;
- PricewaterhouseCoopers UAB for the year 2020.

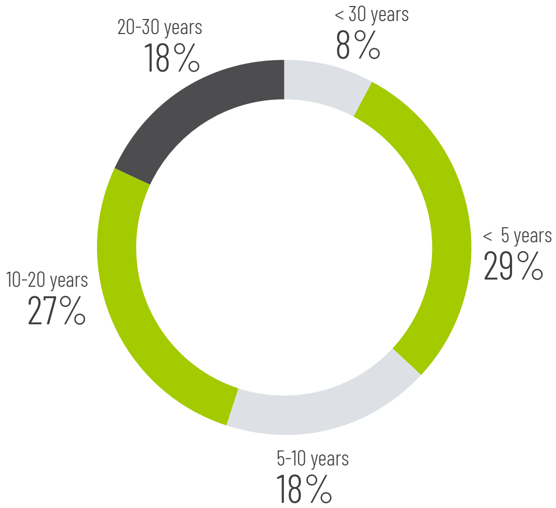
The fee for external audit services of Deloitte Lietuva UAB for the year ended 31 December 2019 was EUR 36.0 thousand.

The fee for external audit services of PricewaterhouseCoopers UAB for the year ended 31 December 2020 was EUR 50.5 thousand.

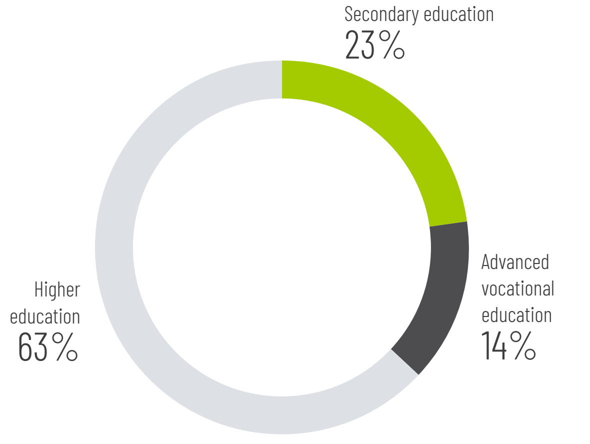
8. PEOPLE



Pic. 16. Employee structure by age in 2020



Pic. 17. Employee structure by length of service in 2020



Pic. 18. Employee structure by educational background in 2020

Amber Grid's employees are experienced and competent professionals implementing the projects of strategic importance to the State. As at 31 December 2020, the Company had 319 employees (31 December 2019: 316 employees). (The organisational management structure is provided in Annex 1). Employee structure by category is provided in Table 11 below.

EMPLOYEE TURNOVER

We value each employee and their contribution, and we seek to provide them with favourable work conditions. As a result, the employee turnover rate has decreased. In 2020, the employee turnover rate was 10.7% compared to 13.9% in 2019.

In 2020, the average age of the Company's employees was 44.73 years (Pic. 16), and the average length of service was 12.64 years (Pic. 17). Employees with higher education background accounted for 63% of the Company's all employees (Pic. 18).

Categories	Number of employees as at 31 December 2020	Number of employees as at 31 December 2019
CEO	1	1
Executive personnel	5	3
Middle-level managers	32	28
Experts-specialists	181	178
Workers	100	106
TOTAL	319	316

Table 11. Number of employees in 2019-2020.

	As of 31 December 2020	As of 31 December 2019
Male employees	80%	79%
Female employees	20%	21%

Table 12. Employee structure by gender in 2020

Due to the specific nature of the activities in the energy sector, male employees account for a larger part of the Company's employees: 254 (80%) male employees, compared to 65 (20%) female employees. (Table 12).

As we encourage our employees to take care of their health, in 2020 we covered all employees of the Company with voluntary health insurance. Based on the insurance terms, the employees obtain compensation for such heath care services as outpatient treatment and diagnostics, day surgery services, preventive medical examination and vaccination, prescription drugs and medical care products, odontology services.

As we seek to ensure business continuity of EPSO-G Group companies, we encourage our employees to develop their professional careers inside the same company or a group of companies. In 2020, 26 employees from Amber Grid were promoted from workers to specialists, from specialists to senior specialists or managerial positions. In 2020, 2 employees of the Company chose to proceed their career with EPSO-G Group and 2 employees moved from EPSO-G to the Company.

For a number of years in a row, the Company has been conducting employee engagement survey based on the globally recognised methodology. During the survey, the employees were able to express anonymously their opinions on the clarity of corporate goals and strategic directions, organisation of work, work processes, workload, work pay, possibilities for improvement, trust in executive personnel, co-operation and other aspects. In 2019, the engagement index was 49%. Accordingly, in 2020 we focused mostly on improvement of engagement and introduction of changes in the organisational culture. In 2020, the Company's engagement index substantially increased and reached 65%. As the Company obtained opinions from its employees, it can now prepare and implement the action plans for improvement of employee engagement in a more purposeful manner.

REMUNERATION POLICY

Amber Grid applies the general remuneration policy of the EPSO-G Group that applies to all employees of the Company. The Remuneration Policy is approved and amended by the decision of the Company's Board, with reference to the recommendations brought forward by the Remuneration and Nomination Committee of EPSO-G. The Remuneration and Nomination Committee of EPSO-G periodically assesses the provisions of the remuneration policy, its effectiveness, implementation and application.

The purpose of the Remuneration Policy is to ensure effective, clear and transparent management of remuneration costs and at the same time to motivate employees with incentives encouraging them to contribute to the implementation of the Company's mission, vision, values and goals.

Remuneration of all employees, including the executive personnel, has two components: fixed and variable.

The fixed pay component depends on the level of a certain job position, which is established for each job position using the methodology that is applied in a global practice.

The variable pay component is payable upon achievement of individual targets set during the annual performance assessment, and upon achievement of the Company's targets.

The Company's Remuneration Policy is available to public on its official website at address www.ambergrid.lt (section Management, heading *Overview of the Company*).

Table 13 below contains a breakdown of average monthly pay by category of employees at the Group and the Company in 2020.

Categories	Group		Company	
	Number of employees at the end of the period	Average monthly pay (including the variable pay component)	Number of employees at the end of the period	Average monthly pay (including the variable pay component)
CEO	2	8391	1	9755
Executive personnel	6	6858	5	6853
Middle-level managers	33	4054	32	4068
Experts-specialists	187	2297	181	2299
Workers	100	1362	100	1217
Total average monthly pay	328	2235	319	2204
Wage Guarantee Fund, EUR '000		9702		9376

13 lentelė. Vidutinis mėnesinis darbo užmokestis pagal darbuotojų grupes

Information on the Company's fixed and variable pay components in 2020 is presented below in Table 14.

Categories	Average relative number of employees	Average monthly gross salary (fixed pay component), EUR	Paid out fixed pay component, calculated as average monthly fixed pay per year, EUR
CEO	1	9373	382
Executive personnel	4	5869	984
Middle-level managers	31	3633	435
Experts-specialists	189	2067	232
Workers	122	1196	166
Total	347	1968	236

14 lentelė. Vidutinis Bendrovės fiksuotas darbo užmokestis ir kintama atlygio dalis pagal darbuotojų grupes

REMUNERATION POLICY FOR MEMBERS OF COLLEGIAL MANAGEMENT BODIES AND THE CEO

On 20 April 2020, the Company's General Meeting of Shareholders approved the Remuneration Policy for the CEO and Board Members of Amber Grid[8], the purpose of which is to determine general, clear and transparent principles for monetary remuneration of the Company's CEO and Board members for the fulfilment of their functions, and a remuneration system based on those principles, which will allow to manage effectively the Company's operating expenses and to create motivational incentives for the Company's CEO and Board members to contribute to the implementation of the Company's mission, vision, values and goals.

The principles for remuneration of the members of the Company's management bodies are also governed by EPSO-G UAB Guidelines for Determining the Remuneration for the Activities in the Bodies of the Group Companies, which were approved by the decision of the sole shareholder of EPSO-G UAB.

When determining the remuneration for the members of the management bodies, the Company follows a principle that the size of the remuneration and its payment procedure should: promote creation of a long-term and sustainable corporate value of the Company and the entire EPSO-G Group; match the workload of individual bodies of the Company and their individual members; reflect as much as possible the actual situation in the market, i.e. it has to be competitive in terms of the work pay offered in the market for the professionals in the respective fields; ensure remuneration for responsibility undertaken by the management bodies; ensure independence of the independent Board members; encourage attraction of high-level professionals from the respective areas of the Company's management.

Remuneration of the Company's CEO, similarly as that of other employees of the Company, consists of two components: fixed pay component and variable pay component. The fixed pay is the largest and the major component of monetary remuneration, which is determined by the Company's Board. The variable pay is intended to encourage the Company's CEO to achieve as good as possible the annual targets in relation to implementation of the strategic, long-term goals. The maximum size of the variable pay of the Company's CEO is 30% of the annual amount of fixed pay. The exact maximum amount of the variable pay for the Company's CEO is determined by the Company's Board.

The variable pay is payable with reference to the annual targets achieved by the Company's CEO, which reflect implementation of the strategy and demonstration of shared values and leadership principles by the Company's CEO, which have a material impact on the formation of organisational culture that is progressive and promotes engagement of employees. The variable pay is payable once per year, when the Company's Board approves the audited financial results of the Company, and when they are confirmed by the decision of the General Meeting of Shareholders.

If the Company's financial results are assessed as unsatisfactory, the Board may decide not to the pay the variable pay.

The remuneration for fulfilment of functions at the Company's Board may be payable only to independent Board members and members who are not civil servants or officials of an authority representing the State, and who are not employees of the Group companies.

A fixed monthly pay (gross) payable to the Company's Board members (a higher amount is payable depending on the applicable circumstances):

- EUR 1,750 (one thousand, seven hundred and fifty euros) is payable to the Board members who are also the members of at least one board committee formed within EPSO-G Group;
- EUR 1,400 (one thousand, four hundred euros) is payable to the Board members who are not the members of any board committees formed within EPSO-G Group;
- EUR 2,150 (two thousand, one hundred and fifty euros) is payable to the chairperson of the Board in view of additional administrative functions undertaken by the chairperson, who is also the member of at least one board committee formed within EPSO-G Group; and to the chairperson of the Board who is also the board member within EPSO-G Group;
- EUR 1,800 (one thousand, eight hundred euros) is payable to the chairperson of the Board for additional administrative functions undertaken by the chairperson, who is not the member of any board committees formed within EPSO-G Group.

Based on the decision passed by the Company's General Meeting of Shareholders on 28 August 2019, the annual remuneration budget was determined for the remuneration of the Board members and for the costs re-

[8] The Policy is available on the Company's official website at www.ambergrid.lt

Information on remuneration of the members of the management bodies, and annual changes in the remuneration amounts are disclosed below in Tables 15 and 16:

Job position	Full name	Date of appointment	Date of removal from office	Gross work pay (EUR)				
				2016	2017	2018	2019	2020
Generalinis direktorius	Saulius Bilys	June 2013	October 2019	115 215	117 301	119 392	203 391	-
Generalinis direktorius	Nemunas Biknius	October 2019	-	-	-	-	20 075	117 192

Table 15. Remuneration of the Company's CEO

Job position	Full name	Remuneration for work at the Board (EUR)				
		2016	2017	2018	2019	2020
Board member	Renata Damanskytė - Rekašienė	-	-	-	-	-
Board member	Algirdas Juozaponis	-	-	-	-	-
Board member	Rimvydas Štilinis	-	-	-	-	-
Independent Board member	Ignas Degutis	-	-	-	-	11 713
Independent Board member	Sigitas Žutautas	-	-	3 850	14 125	21 000
Independent Board member	Nerijus Datkūnas	10 796	12 000	11 575	12 305	5 133

Table 16. Remuneration of the Company's Board members

lated to fulfilment of their functions at the Board, i.e. not in excess of EUR 26,550 for costs related to the remuneration of the Board members, and not in excess of EUR 3,450 for costs related to fulfilment of functions at the Board, which include training costs for professional development.

COLLECTIVE AGREEMENT

On 10 August 2018, a new collective agreement for the employees of Amber Grid was signed after the negotiations with the Trade Union of Amber Grid. The purpose of the collective agreement is to represent the rights and legitimate interests of all employees. The agreement stipulates additional work, remuneration, social, economic and professional conditions and guarantees that are not regulated by laws or other regulatory acts. Based on the amendments to the Lithuanian Law on Personal Income Tax, Law on State Social Insurance, Law on Sickness and Maternity Social Insurance, which came into force on 1 January 2019, an arrangement was signed regarding amendment to the collective agreement in 2019.

TRAINING

In view of its business objectives, training plans and other needs for improvement, the Company focuses on the professional development of its

employees. Amber Grid encourages its employees to upgrade their qualification and enhance their competences.

The Company operates in a regulated energy industry with clearly defined requirements for professional competence and certification of employees necessary to perform their principal and secondary functions. The Company organises professional and other mandatory training, and certification of energy employees in accordance with the regulatory requirements.

The Company focuses on the quality of internal training. The Company promptly re-focused its efforts in view of the pandemic situation in 2020 by offering on-line professional and other types of training. The Company reviewed the process of professional development of its employees, optimised and prepared a modular training programme for the employees operating the objects and facilities of the natural gas transmission system, and agreed the programme with the NERC.

The Company ensures timely organisation of mandatory training (fire safety, civil protection, first aid), and that the employees attending the training obtain both theoretical knowledge and practical skills. In 2020, defibrillator training was organised for volunteer employees. In order to maintain a high level of readiness of employees to respond in the event of emergency situations, the Company periodically organises fire safety and emergency management training.

In addition, the Company organises training focused on general competences, and provides its employees with a possibility to participate in various seminars, conferences where they can improve their professional skills, learn about the latest developments in their respective fields, and the best practices of other companies.

" The company ensures that all mandatory training is organized in a timely manner (fire safety, civil protection, first aid) and that the employees involved receive not only theoretical knowledge but also practical skills. "

No.	Type of training	Number of participants	Number of employees participating in training during 2020	Percentage of employees participating in training during 2020, %
1	Professional training	187	113	35,5
2	Certification of energy specialists	216	130	40,9
3	Mandatory training	331	246	77,4
4	Technical training	78	51	16
5	Specialised training	110	96	30,2
6	General training	1285	170	53,5

* Estimated as a percentage of average annual number of employees (2020: 319 employees)

Table 17. Number of employees participating in training

9. SOCIAL RESPONSIBILITY, ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

RESPONSIBLE BUSINESS PRINCIPLES AND PRIORITIES

Social responsibility is understood by the Company as an integral part of a sustainable business. The Company understands sustainable business development as a whole of purposeful economic, social and environmental actions. Having in mind the global and local impact of our day-to-day activities, we seek to reduce CO2 emissions, undertake prevention of accidents, ensure safe and reliable transportation of gas, develop talents, encourage their volunteering initiatives, gender equality, etc. The principles of social responsibility are implemented on the basis of the related policies of EPSO-G Group and other applicable internal documentation.

- Social Responsibility Policy
- Transparency and Communication Policy
- Anti-corruption Policy
- Equal Opportunity Policy
- Environmental Protection, Occupational Safety and Health Policy
- Human Resource Management Policy
- Code of Conduct

Other internal documentation define the principles that are followed by all the Group companies as they develop their responsible businesses. All related documents that are made available to public can be found on the official website of EPSO-G Group.

The Company has distinguished the following priorities and defined the main guidelines for responsible business in the following areas:

- **Environmental** sustainability through efficient use of natural resources in the Company's operations; promotion of environmentally friendly attitude among the employees, contractors, suppliers and society as a whole; and active participation in the prevention programmes aimed at protecting ecological landscape and biological diversity.
- **Social environment** through relations with the employees and general public, taking care of health, safety and equal rights of employees, implementation of an advanced management and remuneration system, provision of possibilities for personal and professional growth of employees, development of their general competences, implementation of various social initiatives, volunteering and other projects, and cooperation with scientific authorities.
- **Economic environment** through open and fair cooperation with the stakeholders and everyone helping to implement the principles of socially responsible business, safe and reliable gas transmission system to the users, anti-corruption and anti-bribery measures, competitiveness, fair payment of taxes.

STAKEHOLDERS

Amber Grid's responsible business activities are based on shared values and they define the Company's business approach, and integration of social, environmental and transparent business principles into its internal processes and relationships with the stakeholders. Involvement of the stakeholders is of substantial importance for ensuring socially responsible business activities. In its operations, the Company seeks to takeinto account the interests of the stakeholders and make the decisions that meet their best interests. The Company has a wide range of stakeholders, but in this context the most important groups of stakeholders are as follows (table 18).

More details about the corporate social responsibility are provided in an annually published social responsibility report.

CORRUPTION PREVENTION

In its activities, the Company has zero tolerance towards any form of corruption, inappropriate benefits, acceptance, provision, offering, promise or demand of gifts in abuse of current duties.

The Company's corruption prevention measures are based on national legal acts and voluntary commitments going beyond what is legally required:

- All management level personnel of the Company are directly responsible for implementation of corruption prevention measures, and they act as role models for the rest of employees;
- Proportionate, risk-weighted anti-corruption procedures are in place;
- Corruption-related risks are assessed regularly, corruption mitigation measures are planned and implemented, effectiveness of anti-corruption measures is monitored, and if necessary, more effective measures are implemented.

HUMAN RIGHTS

The Company follows its Policies for Ethical Employment and Equal Opportunities (approved in 2017), emphasising that all forms of discrimination are strictly prohibited (Conventions No. 100 and No. 111 of the International Labour Organization). The Company ensures equal rights for all employees and does not tolerate discrimination in the areas of employment, remuneration, training, professional career, termination of employment, retirement and other areas on the grounds of race, nationality, gender, sexual orientation, age, political views of employees, as well as other aspects that might lead to discrimination, and does not tolerate any threatening, harassing or exploiting behaviour among the employees.

No discrimination or other incidents related to violation of human rights were identified at the Company in 2020 (nor were they identified during the period 2017-2019.

9.1. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

Amber Grid's principles and commitments related to environmental protection, occupational safety and health of employees are established in its Environmental Protection and Occupational Safety and Health Policy.

Stakeholders	As defined by us	Why is this group important to us	How do we cooperate and communicate
Consumers	Suppliers, heat producers, industrial consumers	The Company operates in B2B (business-to-business) field. For this group of stakeholders, it is important to have competition in the gas market and high quality of services.	Given the complexity of the services and the economic expectations, we take care of our consumers and seek to ensure the highest quality of our services that will
Founder	The State, whose interests are represented and expectations are formed by EPSO-G UAB.	Close cooperation is vital to ensure the formation of consistent and long-term vision in the energy sector, and smooth implementation of initiatives of national and regional importance. It is also important to ensure sustainable return for the shareholder.	We provide information about the significant events, organise live presentations, provide answers to enquiries, and seek to build relationship that is based on mutual trust.
General public	We define the general public in a broad sense to cover our commitments, our business impact, and to include not only local residents, but also environment, and nature.	The mission of Amber Grid is to ensure efficient and safe gas transmission, create favourable conditions for competition in the gas market, development of renewable energy sources, and to contribute to the welfare	We seek to reduce our impact on climate change and ensure competitiveness of the Lithuanian economy in a long-run perspective.
Media	National, regional media	The Company informs about its activities in a transparent, timely and open manner.	We maintain business relationships through prompt and transparent communication about our activities.
Employees (to each other)	The Company's employees	Experienced, competent, engaged and value-driven professional employees form a prerequisite for the implementation of strategic goals and vision.	We constantly care about our employees, which is one of key principles of sustainable business. We ensure equality among employees, uniform work pay conditions, and successful work-life balance. We take care about professional development and health of employees, and implement open and value-driven culture, where we take into account the opinion of our employees.
Communities	Local communities, where we operate.	A critical success factor for the implementation of the projects is support from local communities through fostering of mutual trust, understanding, communication, and responsibility.	We maintain ongoing relationships with the local communities, organise various events, where we increase awareness about our activities that might affect the community members or their environment.

18 lentelė. „Amber Grid" suinteresuotosios šalys

The provisions of the Policy form the basis for as much as possible effective mitigation of any impact of the Company's operations on the environment, and for ensuring occupational safety and health of employees. The policies for prevention, safety, environmental sustainability must be followed by each stakeholder or groups of stakeholders that are involved in the activities of Amber Grid.

MANAGEMENT SYSTEM

The Company has implemented the environmental management system compliant with international standard ISO 14001 since 2014, and the occupational health and safety management system compliant with OHSAS 18001 since 2016.

In 2019, the Company's environmental management system was re-certified according to ISO 14001, and certified according to new standard ISO 45001 for the occupational safety and health management system. The environmental management system and the occupational safety and health management system have been integrated into Amber Grid's planning, organisation and management processes.

Considering the social and economic environment and the Company's financial and technical possibilities, management of the Company is committed to assure continuous improvement of environmental and occupational safety and health management processes and their efficiency, as well as compliance with the standards acceptable for the management process.

In 2020, as the Company was seeking to contribute to mitigation of climate change, it took initiative to identify all potential greenhouse gas emission sources, and formed an internal work group to elaborate and start implementing the plan for measures aimed at reducing greenhouse gas emissions. In 2021 and later on, there are plans to contribute significantly to reducing environmental effects by implementing a number of measures.

2020 was a year of fight against pandemic, when the Company took all possible actions to safeguard its employees against potential COVID-19 infection risk.

To foster social cooperation and partnership in the field of environmental protection and occupational safety and health of employees, all employees and stakeholders of the Company are regularly informed in order to ensure their awareness and understanding of the emerging issues.

10. MATERIAL EVENTS DURING THE REPORTING PERIOD

As the Company fulfils its obligations set forth in the legal acts regulating the securities market, it publishes notices of its material events and other information regulated on the EU-wide basis. The information is available on the Company's official website (www.ambergrid.lt/en/about-us/investors-relations/materialevents) and on the official website of NASDAQ Vilnius stock exchange (www.nasdaqbaltic.com).

Material events during the reporting period of the year 2020:

Date	Material events during the reporting period
06/02/2020	Consolidated results of operations of Amber Grid group for the year 2019
20/02/2020	Regarding the dividend policy of Amber Grid AB
28/02/2020	Regarding the court judgement
23/03/2020	Regarding the opinion of the Audit Committee
27/03/2019	Notice on convening an Ordinary Annual General Meeting of Shareholders of Amber Grid AB
31/03/2020	Regarding amendment to the cash pool contract
07/04/2020	Correction: Notice on convening an Ordinary Annual General Meeting of Shareholders of Amber Grid AB
07/04/2020	Mr. Nemunas Binkus was elected by the Board of Amber Grid as the Company's CEO
20/04/2020	Regarding the decisions passed during the Ordinary General Meeting of Shareholders of Amber Grid AB
20/04/2020	Annual information of Amber Grid for the year 2019
28/04/2020	Regarding election of the Chairperson of the Board
06/05/2020	Consolidated results of operations of Amber Grid group for Q1 2020
07/05/2020	Regarding the revenue cap from regulated activities of natural gas transmission system operator set for the year 2021
20/05/2020	Regarding the newly set prices for natural gas transmission services
22/05/2020	Regarding the court judgement
28/05/2020	Newly set prices for natural gas transmission services
05/06/2020	Notice on convening an Extraordinary General Meeting of Shareholders of Amber Grid AB
23/06/2020	Regarding the opinion of the Audit Committee
29/06/2020	Regarding the decision passed during the Extraordinary General Meeting of Shareholders of Amber Grid AB
29/06/2020	Regarding amendment to the cash pool contract signed with EPSO-G UAB on 27 February 2019
01/07/2020	Notice on signing a long-term loan agreement with the European Investment Bank
15/07/2020	Regarding the opinion of the Audit Committee
05/08/2020	Consolidated results of operations of Amber Grid group for H1 2020
17/08/2020	Regarding the Board member of Amber Grid AB
27/08/2020	Notice on convening an Extraordinary General Meeting of Shareholders of Amber Grid AB
18/09/2020	Regarding the decision passed during the Extraordinary General Meeting of Shareholders of Amber Grid AB
01/10/2020	Consolidated results of operations of Amber Grid group for a nine-month period 2020
04/11/2020	„Amber Grid" grupės konsoliduoti 2020 m. devynių mėnesių veiklos rezultatai
03/12/2020	Amber Grid's information on publication of interim results and Investor Calendar 2021

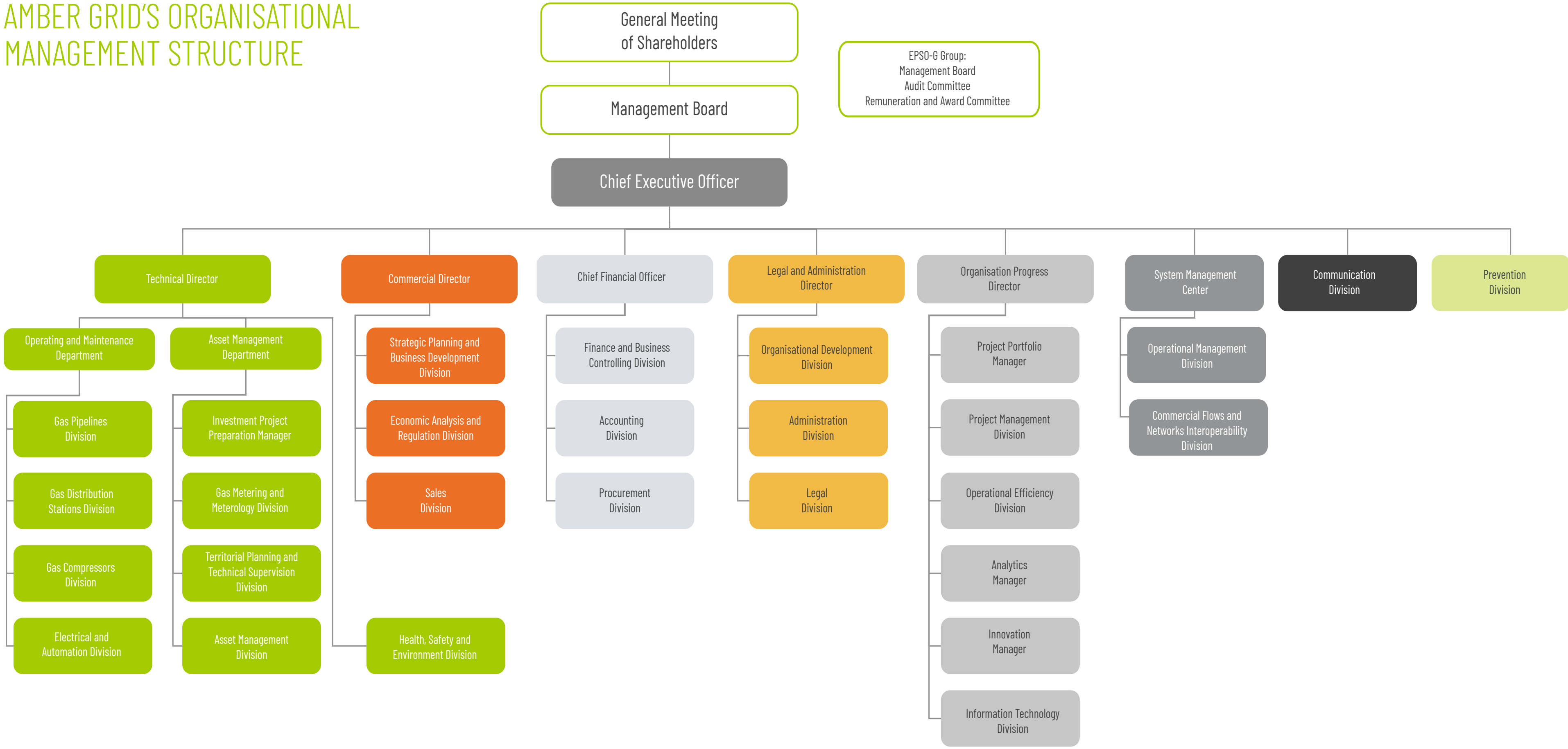
Table 19. Material events of Amber Grid during 2020

All notices that are made available to public according to the procedure defined in legal acts can be found in an electronic publication of the Manager of the Register of Legal Entities. All notices on convening the Company's General Meeting of Shareholders and other material events are announced on the Central Storage Facility at www.crib.lt and on the Company's official website www.ambergrid.lt in accordance with the procedure established in the Law on Securities. The shareholders whose shares entitle them to at least 10% of total voting rights, receive notices on convocation of the General Meetings of Shareholders in accordance with the procedure established in the Company's Articles of Association.

11. ANNEXES

Annex 1

AMBER GRID'S ORGANISATIONAL MANAGEMENT STRUCTURE



Annex 2

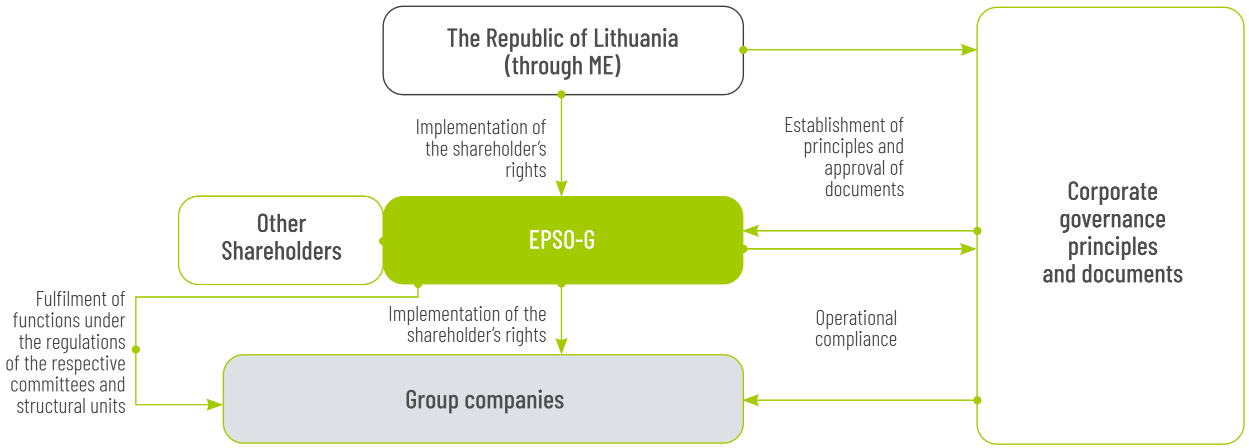
AMBER GRID AB NOTICE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR THE COMPANIES LISTED ON NASDAQ OMX AB

In line with Article 23(3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of Nasdaq Vilnius AB, Amber Grid AB (the Company) has disclosed its compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius and its specific provisions or recommendations. In case of non-compliance with the Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated, the reasons for such non-compliance must be specified, and other explanatory information indicated in this form must be presented.

1. SUMMARY OF THE COMPANY'S CORPORATE GOVERNANCE REPORT:

Amber Grid AB is a part of the EPSO-G UAB group of companies ("the Group"). The Company's management structure and governance model are determined by the Company's Articles of Association, the Corporate Governance Guidelines of the EPSO-G Group approved on 24 April 2018 by the Ministry of Energy (the ME), the sole shareholder of the parent company EPSO-G UAB, and the Corporate Governance Policy of the EPSO-G Group. All these documents are available on the Company's official website (www.ambergrid.lt) and the official website of EPSO-G UAB (www.epsog.lt).

Being a part of the Group does not deny the Company's independence. The Company operates independently, by aiming to achieve the objectives set in the Company's Articles of Association, and has the obligation to independently assess whether compliance with the Group's corporate governance documents does not harm the interests of the Company, its creditors, shareholders or other stakeholders.



Pic 1. Main scheme of the implementation of corporate governance at the Group level.

The Company's management structure is as follows:

- The General Meeting of Shareholders;
- The Board (five members, two of whom are independent members, the other three members are nominated by the shareholder EPSO-G UAB);
- The Committees operating at the Group level:
  - The Remuneration and Nomination Committee (mostly independent members);
  - The Audit Committee (mostly independent members);
  - The Innovation and Development Committee (mostly independent members);
- The CEO.

The Group has a centralised internal audit function. In order to ensure independence of the internal audit, it has been established that the head of the internal audit function is to be appointed and dismissed by the Board of EPSO-G UAB, which consists mostly of independent members. The internal audit function is also accountable to the Audit Committee, which also consists mostly of independent members. The internal audit recommendations are analysed by the Company's Board, which also approves the plan of measures for implementation of audit recommendations.

On the basis of the Risk Management Policy of EPSO-G Group, a uniform risk management system of the Group has been implemented at the Company according to the COSO ERM standards applicable in a global practice, which set out the risk identification, assessment and management principles and responsibilities. Risk management coordination is performed at the Group level.

The purpose of the Group's operating policies is to introduce a consistent and effective organisation management system that helps employees successfully implement important strategic projects and create value to local private and business customers in a transparent and effective manner. To ensure the effectiveness of the operating policies, the Company annually reports on the progress achieved with the implementation of the operating policies.

The corporate governance report of the state-owned enterprises stipulates that the Group has implemented and complied with the principles of good governance. The highest rating A has been awarded to the Group. The highest rating has been assigned to the applied transparency standards, formation of collegial bodies and implementation of the strategy. The Company's corporate governance has been awarded rating A.

OPERATING POLICIES CURRENTLY APPLICABLE IN THE COMPANY

REMUNERATION, STAFF, MANAGEMENT	SUPERVISION OF ACTIVITIES	ACTIVITIES, GROUP'S DEVELOPMENT	FINANCE, ASSETS	TRANSPERENCY, RESPONSIBILITY
Staff remuneration policy	Integrated planning and monitoring policy	Corporate governance policy	Divident policy	Corruption prevention policy
Policy of staff perfomance assessment	Insurance policy	Project management policy	Accounting policy	Sponsorship policy
Equal treatment policy	Centralized internal audit guidelines for implementation in the Group	Risk management policy	Treasury and financial risk policy	Transperency and communication policy
Recruitment policy	Compliance management policy	Risk management method	Technological assets development and operation policy	Sensitive information protection
Competence policy	Compliance management methodology	Social responsibility policy	Transport policy	Policy of non-audit services purchased from an audit company
		Code of ethics	Guidlines for coordinating general procurement in the Group	Policy of managing interest of members of collegial bodies and employees
		Guidelines for conducting research and experimental development	ITT management policy	Personal data protection policy
			Procurement policy	
			Policy of transactions with related parties	

The new Group policy approved in 2020.

The policy changes made and a new version of Group policy adopted in 2020.

2. STRUCTURED TABLE:

PRINCIPLE 1: GENERAL MEETING OF SHAREHOLDERS, EQUITABLE TREATMENT OF SHAREHOLDERS, AND SHAREHOLDERS' RIGHTS.

The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of share-holders.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	YES	Pursuant to the Law on Companies of the Republic of Lithuania and Chapter IX of the Company's Articles of Association, information on general meetings of shareholders being convened, their draft decisions and decisions made is published on the Company's website and on NASDAQ OMX Vilnius stock exchange in the Lithuanian and English languages The Company ensures equal possibilities for the shareholders to vote on the respective decisions made at the general meeting of shareholders (there is a possibility to vote by ballot or to vote by proxy, etc.).
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to their holders.	YES	The Company's share capital is divided into ordinary registered shares with the nominal value of EUR 0.29 each. All the shares grant the same rights to voting, ownership, dividend and other rights to their holders in proportion to the number of shares held. All the shares are intangible and they are recorded in the personal securities accounts of the shareholders managed by the securities account manager contracted to manage the share accounting.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	The rights and obligations of the shareholders are stipulated in Chapter IV of the Company's Articles of Association that are made available to public.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	Paragraph 38 of the Company's Articles of Association specifies the cases when a transaction requires approval of the Board or the General Meeting of Shareholders.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	YES	The Company convenes the General Meeting of Shareholders and conducts other meeting procedures in accordance with the procedure set forth in the Law on Companies of the Republic of Lithuania. In addition, each time the General Meeting of Shareholders is convened, the general rights of the shareholders and the deadlines for exercising such rights are published on the Notice of Convening the General Meeting of Shareholders and on

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
1.6. With a view to ensure the right of shareholders living abroad to have access to the information, it is recommended, where possible, that doc-uments prepared for the general meeting of shareholders in advance should be made available to public in advanced not only in Lithuanian but also in English and/or other foreign languages. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or the decisions adopted should be made available to public not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that such information on the official website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or that the company's commercial secrets are not revealed.	YES	The notices of convening the General Meetings of Shareholders, including the venue, date and time of the meetings, the draft decisions, and information on the decisions made at the General Meetings of Shareholders are published in the English and Lithuanian languages on the Company's official website and on the official website of NASDAQ OMX Vilnius stock exchange.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	A notice of convening the General Meeting of Shareholders always indicates a possibility for the shareholders to vote in writing by filling in the attached form of a voting ballot or to vote by proxy).
1.8. With a view to increase the possibilities for the shareholders to participate effectively at the general meetings of shareholders, it is recommended that companies apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote at the general meetings of shareholders via electronic means of communication. In such cases, the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	Given the challenges encountered while ensuring security of the transmitted information and establishing the identity of the shareholders, such possibilities have not been provided yet to the shareholders. However, the shareholders are provided with other possibilities to exercise their rights: to vote in person, to vote by proxy, to vote under the contract on transfer of voting right; to vote in advance by filling in the general voting ballot.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidates to members of the collegial body, their proposed remuneration and the pro-posed audit firm if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	YES	A notice of convening the General Meeting of Shareholders always specifies the draft decisions containing information required by the Law on Companies of the Republic of Lithuania, including new candidatures of members of the collegial bodies, the proposed remuneration, the proposed audit firm and the proposed audit fee.
1.10. Members of the company's collegial management body, heads of the administration[9] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Pro-posed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	YES NO	Relevant competent persons who can provide information related to the agenda of the General Meeting of Shareholders always attend the General Meeting of Shareholders. The proposed candidates to the members of the collegial bodies do not always attend the General Meetings of Shareholders.

[9] For the purposes of this Code, heads of administration are the employees of the company who hold top level management positions.

PRINCIPLE 2: SUPERVISORY BOARD

2.1. FUNCTIONS AND LIABILITY OF THE SUPERVISORY BOARD

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	Supervisory board is not formed at the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	Supervisory board is not formed at the Company.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	Supervisory board is not formed at the Company.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[10] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	Supervisory board is not formed at the Company.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	Supervisory board is not formed at the Company.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek inde-pendent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	Supervisory board is not formed at the Company.

[10] For the purposes of this Code, the criteria of independence of the members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. FORMATION OF THE SUPERVISORY BOARD

The procedure of formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, pro-fessional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the mem-bers of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	Supervisory board is not formed at the Company.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	Supervisory board is not formed at the Company.
2.2.3. Chair of the supervisory board should be a person, whose current or past positions constituted no obstacle to carry out impartial activities. A for-mer manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	Supervisory board is not formed at the Company.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the super-visory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	Supervisory board is not formed at the Company.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she can-not be considered independent due to special personal or company-related circumstances.	Not applicable	Supervisory board is not formed at the Company.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	Supervisory board is not formed at the Company.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and operational procedures.	Not applicable	Supervisory board is not formed at the Company.

PRINCIPLE 3: MANAGEMENT BOARD

3.1. FUNCTIONS AND LIABILITY OF THE MANAGEMENT BOARD

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	Paragraph 36 of the Company's Articles of Association stipulates the power of the Company's Board to approve the Company's strategy and supervise its implementation.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	Paragraph 7.3 of the Company's Articles of Association stipulates that the Company's Board undertakes the supervisory functions. As the Board fulfils the functions assigned to it, it takes into account the needs of the Company, shareholders, employees and other stakeholders.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	Paragraph 36(xi) of the Company's Articles of Association stipulates that the Company's Board deliberates upon the Group documents (guidelines, policies, procedures, etc.) and decides on the extent of their adoption at the Company. The Board ensures and monitors regularly that the documents approved by it (strategy, budget, business plans, risk management measures plan, etc.) are implemented at the Company.
3.1.4. Moreover, the management board should ensure that the measures included into *the OECD Good Practice Guidance*[11] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES	The Company's Board ensures and monitors implementation of internal controls, ethics and compliance measures as follows: - there is an internal audit function at the group level; - the Audit Committee is formed at the group level, mostly consisting of independent members, with the internal audit function accountable to it; - The Company applies the Code of Conduct, the Corruption Prevention Policy of EPSO-G UAB Group, the Sponsorship and Charity Policy of EPSO-G UAB Group, the Policy of Management of Interests of EPSO-G UAB Group, the Risk Management Policy of EPSO-G UAB Group, the Transparency and Communication Policy of EPSO-G UAB Group, the Compliance Management Policy and Methodology of EPSO-G UAB Group, etc.

[11] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	When the Board appoints the head of the Company, it follows the procedure approved by Resolution of the Government of the Republic of Lithuania for the selection of candidates to a collegial supervisory or management body of a state-owned or municipal enterprise or of a company or its subsidiary owned by a state-owned or municipal enterprise, also takes into account the recommendation of the Remuneration and Nomination Committee, and the appropriate balance between the candidate's qualification, experience and competence. Paragraph 57 of the Company's Articles of Association stipulates that when the Board assesses the suitability of the candidate for the position of the General Manager, the Board shall consider the candidate's compliance with the requirements specified in the Articles of Association and legal acts, and for that purpose may require that the candidate submit documents supporting such compliance and/or may contact competent authorities for obtaining the necessary information about the candidate.

3.2. FORMATION OF THE MANAGEMENT BOARD

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	Paragraph 28 of the Company's Articles of Association stipulates that in the process of selection of the Board members it is ensured that the Board consists of at least 2 (two) independent members. Their independence is established in accordance with the criteria laid down in the Corporate Governance Code and the Policy for Mana-gement of Interests of Members of Collegial Bodies, Executives and Employees of the Group, as well as the requirements set forth in other applicable legal acts. It is ensured that at least 3 (three) members of the Board have no employment relationship with the Company and, where possible, it is aimed that employees of the Company are not appointed to the Board and that the Board members have competences that are required in the areas of responsibility and functions of the Board. The selection of the Company's Board members is carried out by the Remuneration and Nomination Committee in accordance with the approved matrix of the Board competences. The Board members perform self-assessment of their activities annually. In addition, the Remuneration and Nomination Committee evaluates the performance of the Board on an annual basis and provides re-commendations on performance improvement.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	Information is announced in the interim and annual reports of the Company that are made available to public on the official website of the Company.
3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company.	YES	The Board members are introduced to their duties, the structure and activities of the Company by sharing with them the Company's corporate documents – a set of such documents is sent by email to the newly elected Board members.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	Paragraph 27 of the Company's Articles of Association stipulates that the Board is a collegial management body of the Company consisting of 5 members. The Board members are elected for an office term of 4 years by the General Meeting of Shareholders, to which the Board is accountable, by taking into account recommendations of the Remuneration and Nomination Committee. The Board member may serve the maximum period of 2 full terms of office in a row without any interruption, i.e. no longer than 8 years in a row.
3.2.5. Chair of the management board should be a person, whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	YES	Paragraph 29 of the Company's Articles of Association stipulates the criteria prohibiting a person to be elected as a member of the Board. One of the measures for ensuring impartiality of the chairperson of the Board is established in paragraph 46 of the Company's Articles of Association, which states that the chairperson of the Board cannot be elected from among the Company's employees who were elected to the Company's Board.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	YES	The Board members actively attend the meetings, and the minutes of the meetings provide records of attendance and voting by the Board members during the decision-making process. During 2020, none of the Board members, who was elected and performing the duties, missed any of the Board meetings. As stipulated in paragraph 52 of the Company's Articles of Association, each year the Board members perform a self- assessment of their activities, the results of which are submitted to the shareholders and the Remuneration and Nomination Committee. Attendance at the Board meetings by the Board members is disclosed in the annual report.

[12] For the purposes of this Code, the criteria of independence of the members of the board are understood as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[12], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company related circumstances.	YES	The Company's official website and the annual report contain information about the Company's Board members, with specific indication of which members are independent. At each Board meeting, the Board members are required to declare whether the agenda contains any issues that might give rise to conflict of interests.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	YES	The General Meeting of Shareholders decides on the amount and guidelines of remuneration of the Board members. Based on the decision of the General Meeting of Shareholders, a fixed monthly pay for service at the Board has been set only to independent Board members.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	Taking into account the objective to monitor the absence of conflicts of interest of the Company's Board members, each year the Board members update their declarations of interests, and the independent members are assessed for their independence. In addition, paragraph 33 of the Company's Articles of Association stipulates that the Board members may be employed elsewhere or hold other job position compatible with their activities in the Board, including but not limited to executive positions in other legal entities, a job in a state or statutory service, duties at the Company and other legal entities (in view of the restrictions set in paragraph 29 of the Articles of Association), as well as in legal entities where the Company or the parent company acts as a member, only by providing a prior notice to the Company's Board. The Company has adopted the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of EPSO-G Group. The Board members have signed non-disclosure agreements to protect confidential information.
	NO	No-compete agreements are not concluded with the Board members. The need for such agreements was not established because the Company operates in a monopoly business.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	YES	The Board carries out a self-assessment of its activities annually, and on its basis prepares a performance im-provement plan. In addition, the Remuneration and Nomination Committee and the Audit Committee, which act at EPSO-G UAB Group level, evaluate annually the decisions made by the Board and provide recommendations on performance improvement. The results of assessment of the Board's activities are presented in the Company's annual report.

PRINCIPLE 4: RULES OF PROCEDURE OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD OF THE COMPANY

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	NOT APPLICABLE	The Supervisory Board is not formed at the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	Paragraph 45 of the Company's Articles of Association stipulates that the Board makes its decisions at the Board meetings that are usually convened as often as necessary for the Board to be able to properly perform its functions and make decisions within its authority, however, not less than 12 times during a calendar year. At the end/beginning of each year, the Company's Board approves the schedule and activity plan (a preliminary agenda for the respective Board meeting) for the upcoming/current year.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	The Board's work is organised in line with the Board's Work Regulations governing the matters of convening a meeting, communication and material sharing with the Board members, and other procedural issues. The Company's Board follows the recommendation related to changes in the agenda.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	NOT APPLICABLE	The Supervisory Board is not formed at the Company.

PRINCIPLE 5: NOMINATION, REMUNERATION AND AUDIT COMMITTEES

5.1. PURPOSE AND FORMATION OF COMMITTEES

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[13].	YES	The Company has the Remuneration and Nomination Committee at the Group level, which is formed by the Board of EPSO-G UAB and acts in accordance with the regulations approved by the body that forms it, and the Audit Committee at the Group level, which is formed by the sole shareholder EPSO-G UAB and acts in accordance with the regulations approved by the body that forms it. Given that the matters of remuneration and nomination are closely interrelated, and that the same expert qualification is required to address those matters, it was decided to form a single Remuneration and Nomination Committee.
5.1.2. Companies may decide to set up less than three committees. In such case, companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	YES	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case, the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	NOT APPLICABLE	See 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	YES	Paragraphs 7.8 and 7.9 of the Articles of Association of EPSO-G UAB regulate the formation of committees at EPSO-G group level and the areas of their competence. The Articles of Association stipulate that the Remuneration and Nomination Committee and the Audit Committee shall consist of not less than three members. It is ensured that at least one member from all three members of the Remuneration and Nomination Committee are independent, and at least two members from all three members of the Audit Com-mittee are independent. Not all members of the Remuneration and Nomination Committee and the Audit Committee are appointed from the Board of EPSO-G. One member to each of the Committees is appointed on the basis of competence through an external selection procedure of an independent member to the Committee.

[13] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	YES YES	The powers of the Committees are determined in the Articles of Association of EPSO-G UAB and under the decision of the body forming the Committee – the Regulations of the Remuneration and Nomination Committee are approved by the decision of the Board of EPSO-G UAB, and the Regulations of the Audit Committee are approved by the decision of the sole shareholder EPSO-G UAB, as it is permitted by the Requirements for Members of the Audit Committee approved by the Bank of Lithuania (Article 5). The Regulations of the Committees are available on EPSO-G website. Information about the composition, activities of the Committees and other information is pre-sented in the Group's consolidated annual report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	YES	The Regulations of the Committees provide for the right of the members of the Committees to invite, at their discretion, to their meetings the members of the bodies of EPSO-G UAB Group companies, employees, authorised representatives, candidates to certain positions or other persons, and to obtain from them the nec-essary explanations within their competence, as well as to require for that purpose to carry out the actions necessary to fulfil the functions of the Committees.

5.2. NOMINATION COMMITTEE

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.2.1. The key functions of the nomination committee should be the follo-wing: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the ad-ministration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the func-tions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommenda-tions on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	YES	The Remuneration and Nomination Committee of EPSO-G UAB serves as an advisory body to the Board of EPSO-G UAB and to the Company's Board. The main functions of the Committee are as follows: - assistance in the selection of candidates to members of the bodies in all the group companies; - provision of recommendations for the group companies on appointment of members to the management bodies, conclusion of contracts with them and determination of remuneration for them; - provision of recommendations on the policies of the group companies that govern the remuneration policy and employee performance assessment; - provision of recommendations on the system for succession planning in the critical job positions.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	YES	The Regulations stipulate that the right of initiative to convene the Remuneration and Nomination Committee is exercised by the boards or heads of the group com-panies who also propose the agenda of the meeting by submitting materials and draft resolu-tions related to the agenda matters. Currently, the Company's Board has no members who have employment relations with the Company.

5.3. REMUNERATION COMMITTEE

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
The main functions of the remuneration committee should be the following: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	YES	The Company has a single Remuneration and Nomination Committee, with functions described in detail in 5.2.1.

5.4. AUDIT COMMITTEE

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[14]. 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	The Audit Committee of EPSO-G UAB acts as an advisory body to the Board of EPSO-G UAB and to the Company's Board. The main functions of the Committee are as follows: - supervision of preparation and audit of financial statements of the Group companies; - responsibility for ensuring compliance by the auditors and audit firms of the Group companies with the principles of independence and objectivity; - responsibility for the supervision of effectiveness of internal controls, risk management and internal audit systems of the Group companies; - responsibility for control over provision of non-audit services by the auditor and/or audit firm of the Group companies; - ensuring the functioning of the complaints system and handling of complaints; - evaluation of transactions with related parties.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	The Regulations of the Audit Committee stipulate that the members of the Committee, at their own discretion, may invite to their meetings the members of the bodies of the Group companies, their employees, authorised representatives, candidates to certain positions or other persons, and obtain from them the necessary explanations within their competence, as well as require for that purpose to take actions that are necessary to fulfil the functi-ons of the Committee.

[14] Matters related to the activities of audit committees are regulated by Regulation No 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
5.4.4. The audit committee should be informed about the internal auditor's work programme and should be fur-nished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	See 5.4.3. The Audit Committee organises a meeting with the auditors to discuss the audit plan.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regu-lating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	YES	The Audit Committee ensures the functioning of the complaints system and the handling of complaints.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	YES	The Regulations of the Audit Committee stipulate that the Audit Committee submits qu-arterly activity reports to the Board. In addition, it submit a consolidated activity report to the Ordinary General Meet-ing of Shareholders and to the Board of EPSO-G UAB.

PRINCIPLE 6: PREVENTION AND DISCLOSURE OF CONFLICTS OF INTEREST

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

The corporate governance framework should recognise the rights of stakeholders established in the laws and encourage active cooperation between the company and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	YES	This obligation is set out in paragraphs 57-58 of the Company's Articles of Associ-ation, the Regulations of the management bodies, and the Policy of Mana-gement of Interests of Members of Collegial Bodies, Executives and Employees of EPSO-G Group.

PRINCIPLE 7: REMUNERATION POLICY OF THE COMPANY

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	YES	The Company applies the Guidelines for Determining the Remuneration for Ser-vice at the Bodies of EPSO-G UAB and EPSO-G UAB Group Companies, which are approved by the sole shareholder EPSO-G UAB and are available to public. The Company applies in full the Remuneration Policy of the EPSO-G UAB Group and the Employee Performance Assessment Policy of EPSO-G UAB Group. The Remuneration Policy is available to public.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	YES	These forms of remuneration are defined in the Remuneration Policy of EPSO-G" Group.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	YES	The Company applies the Guidelines for Determining the Remuneration for Service at the Bodies of EPSO-G UAB and EPSO-G UAB Group Companies, which define a fixed remuneration for independent members of the collegial bodies. The mem-bers of the Board do not receive remuneration (bonuses) based on the Company's performance.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	NO	The Remuneration Policy of EPSO-G UAB Group stipulates that the Group companies do not enter into advance agreements on the amounts of termination benefits (except for the heads of the companies whose terms of employment are determined by the Board). The amounts of termination benefits are determined by taking into account the mandatory minimum amounts of such benefits established by the provisions of labour law, except for exceptional cases when there are objective reasons for the agreement on higher amounts of benefits. The Board of the Company shall be informed about the payment of such benefits and the grounds for their payment during the upcoming meeting.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	NOT APPLICABLE	No such schemes are applied at the Company.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	YES	General information on the implementation of the Company's Remuneration Policy and average salary levels by individual category of employees are disclosed to public in the Company's annual report. According to Article 25(5) of the Law on Energy of the Republic of Lithuania, the Company discloses remuneration of the members of the Company's management bodies, and other benefits related to the functions of the members of the management bodies. Information on remuneration of employees is made available to public on the Company's official website on a quarterly basis.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	YES	The remuneration of the members of the Company's Board is determined by the General Meeting of Shareholders of the Company. When determining the remuneration, the Company follows the Guidelines for Determining the Remuneration for Service at the Bodies of EPSO-G UAB and EPSO-G Group Companies, which are approved by the sole shareholder EPSO-G UAB. No such schemes are applied at the Company.

PRINCIPLE 8: ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between the company and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	The Company applies the Transparency and Communication Policy of EPSO-G UAB Group, which stipulates goals to increase awareness and unders-tanding of stakeholders about the activities of EPSO-G UAB Group and individual Group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on mutual trust.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	The Company, together with the representatives of the Company's employees, conducts consultations, negotiations and briefings on the processes for improving efficiency of the Company's operations. Under the Company's collective agreement signed with the representatives of the Company's employees, the Company informs the representatives of the trade unions about the anticipated changes in the Company, the Company's financial position, etc The stakeholders can take part in the corporate governance to the extent permitted by law.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	The stakeholders are provided with the conditions to familiarise themselves with the required information.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	YES	The Company's Trust Line contacts are available to public on the Company's official website. The contacts can be used by the stakeholders to report any incidents of violation of environmental, occupational health and safety requirements, unethical or inappropriate work practices, violation of anti-corruption requirements. The stakeholders are introduced to the possibility to contact directly the head of the Company or the chairperson of the Board.

PRINCIPLE 9: DISCLOSURE OF INFORMATION

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	YES	The Company applies the Transparency and Communication Policy of EPSO-G UAB Group, based on which the essential financial and non-financial information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.1. operating and financial results of the company;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.2. objectives and non-financial information of the company;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.3. persons holding a stake in the company or controlling it directly and/ or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
9.1.7. the company's transactions with related parties;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.9. structure and strategy of corporate governance;	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.1.10. initiatives and measures of social responsibility and anti-corrup-tion policy, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.2. When disclosing the information specified in Item 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	EPSO-G UAB, as a parent company, discloses consolidated information in the consolidated annual report.
9.3. When disclosing the information specified in Item 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	Information is disclosed to public in the Company's interim and annual report and on the Company's official website.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	The Company provides information through the information disclosure system of Vilnius Stock Exchange in Lithuanian and English languages simultaneously. The Company discloses information prior to or after a trading session at Vilnius Stock Exchange and presents it simultaneously to all the markets in which the Company's stock is traded. The Company does not disclose information that may affect the price of its stock in any comments, interviews or by any other means until such information is provided through the information disclosure system of the stock exchange.

PRINCIPLE 10: SELECTION OF THE COMPANY'S AUDIT FIRM

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
10.1. With a view to obtain an objective opinion on the company's financial position and financial performance results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	The Company's financial information is audited by an independent audit firm.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	The Audit Committee operating at the Group level takes part in the selection process of an auditor, by recommending a candidate for the independent auditor to the Company's Board. As the Board assesses the candidate proposed by the Audit Committee, it proposes the candidate for the approval by the General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	The fee for non-audit services received by the audit firm is made available to public by the Company. The audit firm provides non-audit services in accor-dance with EPSO-G UAB Group Policy for Procurement of Non-audit Services from an Audit Firm or any Member Firm of the Network of the Auditor, approved by the Audit Committee of EPSO-G UAB of from an audit firm or from any other firm that is part of the audit firm network. The latter policy is approved by the Audit Com-mittee. The provision of non-audit services is supervised by the Audit Committee oper-ating at the Group level, which has in its disposal of the necessary information about the auditor as it recommends a candidate for the independent auditor to the Board.

INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

Annex 3

EPSO-G UAB and its subsidiaries comply[15] with Resolution No 1052 of 14 July 2010 of the Government of the Republic of Lithuania *On the approval of the description of guidelines for ensuring the transparency of state-owned enterprises* ("the Transparency Guidelines"). The application of the Transparency Guidelines is mandatory to EPSO-G as it is a state-owned enterprise ("the SOE"). In order to ensure compliance with the Transparency Guidelines across EPSO-G Group, the Business Transparency and Communication Policy of EPSO-G Group was approved at the Group level, which considers in detail the requirements set forth in the Transparency Guidelines, and defines their applicability to EPSO-G Group companies.

Implementation of the Transparency Guidelines is largely ensured by Amber Grid AB through disclosure of information in the annual report and on the official website of Amber Grid, where information is disclosed in the format that is acceptable and comprehensible to the stakeholders.

Article 3 of the Transparency Guidelines stipulates that the SOE complies with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB[16] that are related to public disclosure of information. Information on how Amber Grid complies with the provisions of the Code is provided in Annex 2 to Amber Grid's *Annual Report - Amber Grid Notice of Compliance with the Corporate Governance Code for the Companies Listed on Nasdaq* Vilnius AB .

Structured information on implementation of the Transparency Guidelines is presented below:

The following information must be published/other requirements must be implemented on the official website of Amber Grid (www.ambergrid.lt):	
Company's name, code, registered address, and a register in which data on the Company is compiled and stored	Implemented
Legal form, in case Amber Grid is restructured, reorganised (the way of reorganisation is to be indicated), under liquidation, in the process of bankruptcy or bankrupt	Not applicable
Information on the authority representing the State, i.e. the Ministry of Energy, and link to its official website	Implemented
Goals, vision and mission of the activities	Implemented
Structure	Implemented
Data on the chief executive officer*	Implemented
Data on the chairperson and members of the board*	Implemented
Data on the chairperson and members of the supervisory board*	Not applicable
Names of the committees, data on their chairperson and members*	Not applicable
** The following data must be provided: name, surname, start date of the term of office, other executive positions in other legal entities, education, qualification, and professional experience; indication of whether a member of a collegial body has been elected or appointed as an independent member.*	
Sum of the nominal values (in euros and cents) of shares and interest (in percentage) held by the State in the share capital of Amber Grid under the title of ownership	Implemented
Implementation of special obligations established under the recommendations approved by the Minister of Economy and Innovations of the Republic of Lithuania: the purpose of special obligations, budget allocations in the current calendar year for fulfilment of special obligations, and the legal acts under which the SOE is assigned to fulfil special obligation, the terms for fulfilment of special obligation and/or the regulated pricing	Implemented

[15] Under Article 17.11 of the Transparency Guidelines, in the event of failure to comply with the Transparency Guidelines, the reasons for such non-compliance must be explained.
[16] Corporate Governance Code for the Companies Listed on Nasdaq Vilnius approved at the Board meeting of Nasdaq Vilnius AB on 15 January 2019, .Minutes No 19-63.

Information on initiatives and measures of social responsibility, significant ongoing or planned investment projects	Implemented
If Amber Grid is a member of other legal entities (not applicable to subsidiaries and second-tier subsidiaries), the name, code, and register in which data on the Company is compiled and stored, registered address, and official websites of such legal entities	Not applicable
A set of Amber Grid annual financial statements, Amber Grid annual report, as well as an auditor's report on Amber Grid annual financial statements must be placed on Amber Grid official website within 10 working days from the date of approval of the set of annual financial statements	Implemented
The sets of Amber Grid interim financial statements and Amber Grid interim reports must be placed on the official website not later than within 2 months after the end of the reporting period	Implemented
Since Amber Grid is a subsidiary, the following additional information must be provided on Amber Grid official website (www.ambergrid.lt):	
Amber Grid group structure	Implemented
Information on subsidiaries and second-tier subsidiaries of Amber Grid:	
Company's name, code, registered address, and a register in which data on the Company is compiled and stored	Implemented
Official website addresses	Implemented
Amber Grid's interest (percentage) held in the share capital of the companies	Implemented
Annual consolidated financial statements and consolidated annual reports	Implemented
The following documents must be provided/other requirements must be implemented on Amber Grid official website (www.ambergrid.lt):	
Amber Grid's Articles of Association	Implemented
Official Letter of the Ministry of Energy on determining the State's goals and expectations for Amber Grid	Not applicable
Operational strategy or its summary in cases when operational strategy contains confidential information or information that is treated as a commercial (industrial) secret	Implemented
Remuneration policy that covers determination of remuneration for CEO and members of collegial bodies and committees of Amber Grid	Implemented
Amber Grid annual and interim reports	Implemented
The sets of annual and interim financial statements, and auditor's reports thereon for at least 5 years	Implemented
The above-mentioned documents must be provided in a PDF format with a technical possibility to be printed out	Implemented
The following information must be provided/other requirements must be implemented in the sets of financial statements:	
Amber Grid keeps its accounting records in a way that ensures preparation of the financial statements in accordance with the International Accounting Standards	Implemented
Amber Grid prepares a set of financial statements for the period of 6 months.	Implemented
In addition to annual report, Amber Grid prepares an interim report for the period 6 months.	Implemented

In addition to the content requirements set in the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the following information must be disclosed by Amber Grid[17]:	
Brief description of Amber Grid's business model	Implemented
Information on significant events occurring during the financial year and after the end of the financial year (until the date of preparation of annual report) that had material impact on the activities of Amber Grid	Implemented
Results of implementation of the objectives set in the operational strategy	Implemented
Profitability, liquidity, asset turnover, and debt ratios	Implemented
Implementation of special obligations	Implemented
Implementation of the investment policy, ongoing and planned investment projects, and investments implemented during the reporting year	Implemented
Implementation of the risk management policy applied by Amber Grid	Implemented
Implementation of the dividend policy	Implemented
Implementation of the remuneration policy	Implemented
Total annual payroll fund, average monthly salary by category of employees and/or business units	Implemented
ecommended to provide information related to environmental, social and personnel, human rights, anti-corruption and anti-bribery matters in their annual report or annual activity report	Implemented
The consolidated annual report includes the following information: structure of the group, name, code and register in which data on the company is compiled and stored, registered address of each of the group companies, interest (percentage) held in the share capital of a subsidiary, financial and non-financial performance during the financial year	Implemented
The interim report of Amber Grid includes the following information: a brief description of Amber Grid's business model, analysis of financial performance during the reporting period, information on significant events occurring during the reporting period, profitability, liquidity, asset turnover and debt ratios and changes therein compared to the respective period in the previous year	Implemented

[17] When information is treated as a commercial (industrial) secret or as confidential information of the SOE, the SOE is allowed not to disclose such information; however, in its annual report the SOE must indicate such non-disclosure and provide the reasons for non-disclosure.

12. CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		
			At 31 December 2020	At 31 December 2019[1)]	At 1 January 2019[1)]
ASSETS					
A.	**Non-current assets**		**255.757**	**209.557**	**209.252**
I.	Intangible assets	5	4.833	2.910	2.699
II.	Property, plant and equipment	6	241.624	201.362	200.031
II.1.	Land		125	125	125
II.2.	Buildings		5.427	5.183	5.288
II.3.	Structures and equipment		146.003	147.770	141.518
II.4.	Plant and machinery		34.583	37.714	39.922
II.5.	Motor vehicles		542	773	952
II.6.	Other PP&E		3.171	2.637	2.124
II.7.	Construction work in progress		51.773	7.160	10.102
III.	Right-of-use assets	8	2.335	2.001	2.027
IV.	Non-current financial assets		4	4	998
IV.1.	Investment in subsidiary	7	-	-	-
IV.2.	Non-current trade receivables		-	-	998
IV.3.	Other non-current financial assets		4	4	-
V.	Deferred income tax assets	22	6.961	3.280	3.497

		Notes	Group		
			At 31 December 2020	At 31 December 2019[1)]	At 1 January 2019[1)]
B.	**Current assets**		**60.614**	**46.783**	**38.820**
I.	Inventories and prepayments		2.626	2.651	3.129
I.1.	Inventories	9	1.897	2.119	2.795
I.2.	Prepayments		729	532	334
II.	Amounts receivable	10	47.377	25.251	23.452
II.1.	Trade receivables		7.870	5.860	6.188
II.2.	Other amounts receivable		39.507	19.391	17.264
III.	Prepaid income tax		1.171	-	1.567
IV.	Other financial assets	11	8.673	18.648	10.630
V.	Cash and cash equivalents	12	767	233	42
Total assets			**316.371**	**256.340**	**248.072**

(cont'd on the next page)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts are in EUR '000 unless otherwise stated)

		Notes	Group		
			At 31 December 2020	At 31 December 2019[1)]	At 1 January 2019[1)]
EQUITY AND LIABILITIES					
C.	**Equity**		**154.830**	**136.660**	**129.314**
I.	Share capital		51.731	51.731	51.731
II.	Reserves	13	74.638	74.638	99.990
II.1.	Legal reserve		5.173	5.173	5.173
II.2.	Other reserves		69.465	69.465	94.817
III.	Retained earnings (deficit)		28.461	10.291	(22.407)
D.	**Amounts payable and liabilities**		**161.541**	**119.680**	**118.758**
I.	Amounts payable after one year and non-current liabilities		107.506	55.446	59.903
I.1.	Non-current borrowings	14	101.565	51.739	55.357
I.2.	Lease liabilities	8	1.953	1.849	1.883
I.3.	Contract liabilities	15	1.337	1.371	2.215
I.4.	Long-term employee benefits	16	509	487	448
I.5.	Deferred income tax liability	22	-	-	-
I.6.	Other non-current liabilities		-	-	-
I.7.	Provisions	16	2.142	-	-
II.	Amounts payable within one year and current liabilities		54.035	64.234	58.855
II.1.	Current borrowings	14	7.852	6.452	6.791
II.2.	Current portion of non-current borrowings	14	10.174	13.618	17.976
II.3.	Current portion of lease liabilities	8	410	160	144
II.4.	Current portion of long-term employee benefits	16	39	53	83
II.5.	Trade payables	17	10.429	6.967	6.423
II.6.	Advance amounts received	18	8.558	17.137	10.152
II.7.	Income tax liability		51	688	-
II.8.	Employment-related liabilities		2.140	1.723	1.355
II.9.	Other amounts payable and current liabilities	19	14.345	17.436	15.931
II.10.	Provisions	16	37	-	-
Total equity and liabilities			**316.371**	**256.340**	**248.072**

[1)] The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

The accompanying notes form an integral part of these financial statements.

THE COMPANY'S STATEMENT OF FINANCIAL POSITION

(All amounts are in EUR '000 unless otherwise stated)

		Notes	Company		
			At 31 December 2020	At 31 December 2019[1)]	At 1 January 2019[1)]
ASSETS					
A.	**Non-current assets**		**255.649**	**209.426**	**209.484**
I.	Intangible assets	5	4.189	2.262	2.259
II.	Property, plant, and equipment	6	241.620	201.359	200.028
II.1.	Land		125	125	125
II.2.	Buildings		5.427	5.183	5.288
II.3.	Structures and equipment		146.003	147.770	141.518
II.4.	Plant and machinery		34.583	37.714	39.922
II.5.	Motor vehicles		542	773	952
II.6.	Other PP&E		3.167	2.634	2.121
II.7.	Construction work in progress		51.773	7.160	10.102
III.	Right-of-use assets	8	2.204	1.850	2.027
IV.	Non-current financial assets		675	675	1.673
IV.1.	Investment in subsidiary	7	675	675	675
IV.2.	Non-current trade receivables		-	-	998
IV.3.	Other non-current financial assets		-	-	-
V.	Deferred income tax assets	22	6.961	3.280	3.497

		Notes	Company		
			At 31 December 2020	At 31 December 2019[1)]	At 1 January 2019[1)]
B.	**Current assets**		**49.144**	**28.094**	**28.299**
I.	Inventories and prepayments		2.611	2.640	3.118
I.1.	Inventories	9	1.897	2.119	2.795
I.2.	Prepayments		714	521	323
II.	Amounts receivable	10	45.356	25.253	23.524
II.1.	Trade receivables		5.851	5.865	6.113
II.2.	Other amounts receivable		39.505	19.388	17.411
III.	Prepaid income tax		1.171	-	1.567
IV.	Other financial assets	11	3	4	56
V.	Cash and cash equivalents	12	3	197	34
Total assets			304.793	237.520	237.783

(cont'd on the next page)

The accompanying notes form an integral part of these financial statements.

THE COMPANY'S STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts are in EUR '000 unless otherwise stated)

		Notes	Company		
			At 31 December 2020	At 31 December 2019[1]	At 1 January 2019[1]
EQUITY AND LIABILITIES					
C.	**Equity**		**154.410**	**136.978**	**129.668**
I.	Share capital		51.731	51.731	51.731
II.	Reserves	13	74.638	74.638	99.990
II.1.	Legal reserve		5.173	5.173	5.173
II.2.	Other reserves		69.465	69.465	94.817
III.	Retained earnings (deficit)		28.041	10.609	(22.053)
D.	**Amounts payable and liabilities**		**150.383**	**100.542**	**108.115**
I.	Amounts payable after one year and non-current liabilities		107.396	55.316	59.903
I.1.	Non-current borrowings	14	101.565	51.739	55.357
I.2.	Lease liabilities	8	1.843	1.719	1.883
I.3.	Contract liabilities	15	1.337	1.371	2.215
I.4.	Long-term employee benefits	16	509	487	448
I.5.	Deferred income tax liability	22	-	-	-
I.6.	Other non-current liabilities		-	-	-
I.7.	Provisions		2.142	-	-
II.	Amounts payable within one year and current liabilities		42.987	45.226	48.212
II.1.	Current borrowings	14	7.852	6.272	6.791
II.2.	Current portion of non-current borrowings	14	10.174	13.618	17.976
II.3.	Current portion of lease liabilities	8	387	138	144
II.4.	Current portion of long-term employee benefits	16	39	53	83
II.5.	Trade payables	17	8.151	4.191	5.970
II.6.	Advance amounts received	18	312	1.465	65
II.7.	Income tax liability		-	688	-
II.8.	Employment-related liabilities		2.054	1.655	1.305
II.9.	Other amounts payable and current liabilities	19	13.981	17.146	15.878
II.10.	Provisions		37	-	-
Total equity and liabilities			**304.793**	**237.520**	**237.783**

[1] *The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED SEPARATE STATEMENT OF PROFIT OR LOSS

(All amounts are in EUR '000 unless otherwise stated)

	Notes	Group		Company	
		2020	2019[1]	2020 m.	2019[1]
I. Revenue	20,4	**52.286**	**55.619**	**50.831**	**55.080**
II. Expenses		(37.337)	(40.544)	(36.674)	(40.044)
II.1. Natural gas costs		(6.345)	(11.336)	(6.345)	(11.336)
II.2. Depreciation and amortisation		(11.126)	(10.159)	(10.934)	(10.032)
II.3. Employee benefits and related social security contributions		(10.254)	(9.784)	(9.905)	(9.509)
II.4. Repair and technical maintenance expenses		(3.405)	(3.573)	(3.405)	(3.573)
II.5. Taxes other than income tax		(1.954)	(1.798)	(1.953)	(1.798)
II.6. Telecommunications and IT system expenses		(1.561)	(1.010)	(1.483)	(954)
II.7. Other expenses		(2.692)	(2.884)	(2.649)	(2.842)
III. Operating profit (loss)	4	**14.949**	**15.075**	**14.157**	**15.036**
IV. Financing activity	21,4	**(363)**	**(341)**	**(360)**	**(339)**
IV.1. Finance income		3	12	3	13
IV.2. Finance costs		(366)	(353)	(363)	(352)
V. Profit (loss) before income tax	4	**14.586**	**14.734**	**13.797**	**14.697**
VI. Income tax	22,4	3.584	(2.162)	3.635	(2.160)
VI.1. Current year income tax		(98)	(1.945)	(47)	(1.943)
VI.2. Deferred income tax		3.682	(217)	3.682	(217)
VII. Deferred income tax	4	18.170	12.572	17.432	12.537
Basic and diluted earnings (loss) per share (EUR)	23	0,10	0,07	0,10	0,07

1) The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in EUR '000 unless otherwise stated)

	Notes	Group		Company	
		2020	2019[1)]	2020	2019[1)]
I. Net profit (loss)		18.170	12.572	17.432	12.537
II. Other comprehensive income		-	-	-	-
II.1. Comprehensive income that will be reclassified to subsequently					
to profit or loss		-	-	-	-
Comprehensive income that will not be reclassified subsequently					
to profit or loss		-	-	-	-
III. Total comprehensive income (loss)		18.170	12.572	17.432	12.537

[1)] *The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts are in EUR '000 unless otherwise stated)

Group	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2019	**51.731**	**5.173**	**94.817**	**(20.478)**	**131.243**
Effects of change in accounting policy (Note 26)	-	-	-	(1.928)	(1.928)
Restated balance at 1 January 2019	**51.731**	**5.173**	**94.817**	**(22.407)**	**129.314**
Transfer from other reserves	-	-	(25.352)	25.352	-
Dividends approved	-	-	-	(5.227)	(5.227)
Total transactions with owners in their capacity as owners	-	-	(25.352)	(20.125)	(5.227)
Net profit for the period [1]	-	-	-	12.572	12.572
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period [1]	-	-	-	12.572	12.572
Balance at 31 December 2019	**51.731**	**5.173**	**69.465**	**10.291**	**136.660**
Transfer from other reserves	-	-	-	-	-
Dividends approved	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Net profit (loss) for the period	-	-	-	18.170	18.170
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	18.170	18.170
Balance at 31 December 2020	**51.731**	**5.173**	**69.465**	**28.461**	**154.830**

[1] The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

The accompanying notes form an integral part of these financial statements.

THE COMPANY'S STATEMENT OF CHANGES IN EQUITY

(All amounts are in EUR '000 unless otherwise stated)

Company	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2019	**51.731**	**5.173**	**94.817**	**(20.125)**	**131.596**
Effects of change in accounting policy (Note 26)	-	-	-	(1.928)	(1.928)
Restated balance at 1 January 2019	**51.731**	**5.173**	**94.817**	**(22.053)**	**129.668**
Transfer from other reserves	-	-	(25.352)	25.352	-
Dividends approved	-	-	-	(5.227)	(5.227)
Total transactions with owners in their capacity as owners	-		(25.352)	20.125	(5.227)
Net profit (loss) for the period [1]	-	-	-	12.537	12.537
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period [1]	-	-	-	12.537	12.537
Balance at 31 December 2019	**51.731**	**5.173**	**69.465**	**10.609**	**136.978**
Transfer from other reserves	-	-	-	-	-
Dividends approved	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Net profit (loss) for the period	-	-	-	17.432	17.432
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	17.432	17.432
Balance at 31 December 2020	**51.731**	**5.173**	**69.465**	**28.041**	**154.410**

[1] *The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

(All amounts are in EUR '000 unless otherwise stated)

	Notes	Group		Company	
		2020	2019[1)]	2020	2019[1)]
I. Cash flows from operating activities					
I.1. Net profit (loss)		18.170	12.572	17.432	12.537
Adjustments for non-cash items and other corrections:					
I.2. Depreciation and amortisation		11.126	10.159	10.934	10.032
I.3. Loss (profit) on disposal and write-off of property, plant and equipment, doubtful trade receivables and inventories		(108)	(110)	(123)	(110)
I.4. Loss on revaluation of property, plant and equipment		-	-	-	-
I.5. Impairment (reversal of impairment) of property, plant and equipment, financial assets, doubtful trade receivables and inventories		(39)	56	(39)	56
I.6. Income tax expenses (benefit)		(3.584)	2.160	(3.635)	2.160
I.7. Interest (income)		-	-	-	-
I.8. Interest expenses		294	353	291	352
I.9. (Amortisation) of grants (deferred revenue)		-	(164)	-	(164)
I.10. Elimination of other non-cash items		-	35	-	34
Changes in working capital:		**25.859**	**25.061**	**24.860**	**24.897**
I.11. Decrease (increase) in inventories		294	950	294	950
I.12. (Increase) decrease in trade receivables		(2.010)	322	14	243
I.13. (Increase) decrease in other receivables and prepayments		3.685	(1.609)	3.688	(1.455)
I.14. (Decrease) increase in trade payables		62	7.737	560	(102)
I.15 (Decrease) increase in other payables and current liabilities		(11.286)	3.413	(3.952)	3.006
I.16. (Increase) decrease in other financial assets		9.974	(8.019)	1	51

The accompanying notes form an integral part of these financial statements.

(cont'd on the next page)

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

(All amounts are in EUR '000 unless otherwise stated)

	Notes	Group		Company	
		2020	2019[1]	2020	2019[1]
I.17. Income tax (paid)		(1.906)	(639)	(1.906)	(639)
Total changes in working capital		**(1.187)**	**2.155**	**(1.301)**	**2.054**
Net cash flows from operating activities		**24.672**	**27.216**	**23.559**	**26.951**
II. Cash flows from investing activities	**24**				
II.1. (Acquisition) of property, plant and equipment and intangible assets		(86.315)	(19.915)	(86.136)	(19.665)
II.2. Proceeds on disposal of property, plant and equipment		173	27	173	27
II.3. Grants received		15.065	6.941	15.065	6.941
II.4. Loans granted (repayments received)		-	-	-	150
II.5. Interest received		-	5	-	5
Net cash flows (used) in investing activities		**(71.077)**	**(12.942)**	**(70.898)**	**(12.542)**
III. Cash flows from financing activities	24				
III.1. Dividends (paid)		(3)	(5.228)	(3)	(5.228)
III.2. Proceeds from borrowings		60.000	10.000	60.000	10.000
III.3. (Repayments) of borrowings		(13.798)	(17.976)	(13.618)	(17.976)
III.4. Change in overdraft		1.580	(339)	1.580	(519)
III.5. Interest (paid)		(424)	(374)	(421)	(373)
III.6. Liabilities settled in relation to right-of-use assets		(416)	(166)	(393)	(150)
III.7. Other cash flows from financing activities		-	-	-	-
Net cash flows from (used in) financing activities		**46.939**	**(14.083)**	**47.145**	**(14.246)**
IV. Net increase (decrease) in cash and cash equivalents		**534**	**191**	**(194)**	**163**
V. Cash and cash equivalents at the beginning of the year		**233**	**42**	**197**	**34**
VI. Cash and cash equivalents at the end of the year		**767**	**233**	**3**	**197**

[1] *The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.*The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(All amounts are in EUR '000 unless otherwise stated)

1. GENERAL INFORMATION

Amber Grid AB (hereinafter the "Company") is a public limited liability company registered in the Republic of Lithuania.

Its registered office address is as follows:
Savanorių pr. 28
03116, Vilnius
Lithuania.

Amber Grid AB was registered on 25 June 2013 as a result of unbundling of natural gas transmission activity (including assets, rights and obligations attributed thereto) from Lietuvos Dujos AB. The Company has been actively operating since 1 August 2013. After obtaining a favourable decision from the European Commission, on 10 April 2015 the National Control Commission for Prices and Energy (the National Energy Regulatory Council (hereinafter the NERC) as from 1 July 2019) granted to the Company an energy operator licence No L2-3 (GDP) to engage in natural gas transmission activities for indefinite term in the territory of Lithuania.

Acting as a natural gas transmission system operator, the Company provides the following services to the system users, other operators and gas market participants:

- natural gas transmission in the territory of Lithuania;
- natural gas flow balancing within the transmission system;
- administration of funds intended to compensate the construction and fixed operating expenses of the liquefied natural gas (LNG) terminal, its infrastructure, connector, and, with effect from 2016, the reasonable supply costs of the required quantity of liquefied natural gas incurred by the designated supplier.

The Company's clients are large companies (operating in the sectors of electricity, district heating, and industry) and medium-sized local businesses, as well as natural gas suppliers receiving natural gas transmission services.

All the shares of the Company are ordinary registered shares with the par value of EUR 0.29 each. As at 31 December 2020 and 2019, all the shares had been fully paid. The Company had no its own shares. Since 1 August 2013, the Company's shares have been traded on stock exchange and have been quoted on the Baltic Secondary List of NASDAQ Vilnius. (ISIN – LT0000128696, LEI code 097900BGMP0000061061, ticker AMG1L).

As at 31 December 2020 and 2019, the Company's shareholders were as follows:

	Number of shares held	Ownership interest, (%)
EPSO-G UAB (company code 302826889, Gedimino pr. 20, Vilnius	172.279.125	96,58
Other shareholders	6.103.389	3,42
	178.382.514	100,00

The rights and duties of the sole shareholder of the holding company EPSO-G UAB are exercised by the Ministry of Energy of the Republic of Lithuania. EPSO-G UAB is responsible for management of the share packages of the Lithuanian electricity and gas transmission system operators.

The Group consists of the parent company Amber Grid AB and its subsidiary GET Baltic UAB.

Information on subsidiary of Amber Grid AB as at 31 December 2020 and 2019 is presented below:

Subsidiary	Registered office address	Interest held		
		At 31 December 2019	At 31 December 2020	Profile of activities
GET Baltic UAB	Geležinio Vilko g. 18A, LT- 08104 Vilnius, Lithuania	100 %		Licensed activities of natural gas market operator - trading natural gas short-term and long-term products.

As at 31 December 2020 and 2019, the share capital of GET Baltic UAB amounted to EUR 580,450, and it was divided into 3,055,000 shares with a par value of EUR 0.19 each.

Information on the investment in the subsidiary is disclosed in Note 6.

In the Company's financial statements for the years ended 31 December 2020 and 2019, the Company's investment in the subsidiary was stated at cost less impairment.

The consolidated financial statements were prepared with effect from 2019, given an each-year growing materiality of the subsidiary's financial data. Non-preparation of the consolidated financial statements would, in the Company's opinion, be material when assessing Amber Grid AB group's assets, liabilities, results of operations and cash flows, and for the users when making appropriate economic decisions. The consolidated financial statements for the year 2019 were prepared in accordance with the provisions of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, i.e. by retrospective presentation of the consolidated comparative figures for the previous periods and their disclosure in the notes.

As at 31 December 2020, the average number of employees at the Group was 325 (31 December 2019: 329), and the average number of employees at the Company was 318 (31 December 2019: 323).

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of Company's and the Group's financial statements for the year ended 31 December 2020 are set out below:

2.1. Basis of preparation

The Company's and the Group's financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss.

Amounts in these financial statements are presented in thousands of euro (EUR), unless otherwise stated.

The financial year of the Company and Group companies coincides with the calendar year.

The Company's management approved these financial statements on 29 March 2021. The shareholders of the Company have a statutory right to approve or not to approve those and request for a preparation of the new financial statements

The accounting policies applied in preparation of the financial statements are consistent with those of the previous financial year except as follows:

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The following IFRSs and amendments thereto were adopted by the Group and the Company for the first time in the financial year ended 31 December 2020:

1. Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The Conceptual Framework for Financial Reporting sets out a comprehensive set of concepts for financial reporting, standard setting, and development of accounting policies. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. Those amendments had no material impact on the Company's financial statements.

2. Definition of a business – Amendments to IFRS 3 (effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The amendments to IFRS 3 have no impact on the Group's and the Company's financial statements.

3. Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group and the Company believe the amendments have no material impact on the financial statements.

4. Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. The Group and the Company believe the amendments have no material impact on the financial statements, since the Group and the Company have no hedging transactions.

5. Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The Group and the Company believe the amendments have no material impact on the financial statements, since neither the Group nor the Company are subject to COVID-19-related rent concessions.

b) Standards, interpretations and amendments that have not been endorsed by the EUR and have not been early adopted by the Group and the Company

1. IFRS 14, Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The new provisions of the standard are not relevant for the Group and the Company, since IFRS transition occurred in the previous periods.

2. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS

10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group and the Company believe the amendments will have no material impact on the financial statements.

3. IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group and the Company are currently assessing the impact of the amendments on the financial statements.

4. Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group and the Company are currently assessing the impact of the amendments on the financial statements.

5. Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

6. Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Group and the Company are currently assessing the impact of the amendments on the financial statements.

7. Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Group and the Company are currently assessing the impact of the amendments on the financial statements.

2.2. Presentation currency

All amounts in these financial statements have been measured and presented in the euros (EUR), which is an official currency of the Republic of Lithuania.

2.3. Consolidation

A subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with an investee, and has the ability to affect those returns through its power over the investee.

The Group's consolidated financial statements cover Amber Grid AB and its subsidiary. The financial statements of the subsidiary have been prepared for the same reporting period and using the same accounting policies consistent with those applied by the parent company.

A subsidiary is consolidated from the date on which effective direct or indirect control is transferred to the Company. It is de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated.

2.4. Investments in subsidiaries in the Company's separate financial statements

Investments in subsidiaries are accounted for in the parent company's balance sheet at cost less impairment loss, when the carrying amount of investment reported in the parent company's balance sheet exceeds the expected recoverable amount.

2.5. Intangible assets

The Company's intangible assets are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are carried at cost, see Note 5.

The useful lives of intangible assets other than those with indefinite useful lives are 4 to 8 years.

After initial recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Goodwill is measured initially as the positive difference between the acquisition cost and net assets acquired, and subsequently is measured acquisition cost less accumulated impairment losses, if any.

Intangible assets are amortised on a straight-line basis over the estimated useful lives. The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of intangible assets. Intangible assets mainly consist of software, licences and other intangible assets used in the Company's and the Group's activities.

Special land use conditions (protected areas)

In its financial statements for the year ended 31 December 2020, the Company recognised as intangible assets a commitment to register and a right to use the land parcels of third parties on the basis of the special land use conditions. The special land use conditions mean conditions involving certain restrictions or limitations on the activities carried out on the land parcel, which depend on the geographic location, the principal purpose of use, the method of use of the land parcel, and on the environmental and public health needs. The special land use conditions apply for as long as there is an object, in respect of which the protected areas have been established, irrespective of the physical condition of such object; or the special land use conditions may be established when there is an intention to implement a project. The special land use conditions remain in force for indefinite period. Since the useful life of the intangible assets is indefinite, such assets are not amortised. The useful life is not limited because the special land use conditions are established for the land parcels for indefinite period.

A provision for non-current liabilities in relation to the commitment to register the special land use conditions (protected areas) has been formed under IAS 37 (see Note 3, 16 Provisions).

2.6. Property, plant and equipment

Assets with a useful life longer than one year are classified as property, plant and equipment.

Items of property, plant and equipment are stated at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less accumulated depreciation and impairment losses (Note 6).

Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against revaluation reserve directly in equity, whereas all other decreases are charged to the profit and loss account. Revaluation increases in property plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax. Upon the sale or write-off of an asset item, any balance related to these assets is transferred from revaluation reserve to retained earnings.

Interest and other borrowing costs (the bank's administration charges, etc.) are included in the acquisition cost of property, plant and equipment if they are directly attributable to the acquisition of a qualifying asset. A qualifying asset is asset that is developed on the basis of a project with the value of not less than EUR 1 million and that necessarily takes no less than 12 months to get ready for its intended use or sale. Borrowing costs that are attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs is started when costs related to the production or acquisition of the qualifying asset are incurred (a prepayment is made or a payment for works is made according to the signed statement on the works carried out and their respective value) and ended when all the activities necessary for the preparation of the qualifying asset for its intended use or sale are substantially complete (a statement on the recognition of the construction as fit for use is signed). While determining the amount of borrowing costs eligible for the capitalisation of costs incurred in the acquisition of qualifying assets, the capitalisation rate is applied.

Property, plant and equipment also includes the minimum quantity of natural gas contained in the gas pipelines (line pack) which is necessary to ensure a stable functioning of the transmission system (i.e. necessary to start the functioning of the transmission system) under the base conditions (pressure of 25 bar is ensured for system users for all exit points). This part of property, plant and equipment is not depreciated, because the Company will be able to sell such natural gas at the end of the useful life of the gas transmission pipeline, and accordingly, the value of such natural gas represents the residual value of the gas transmission pipeline.

Emergency reserve inventories meeting the criteria of non-current assets are classified as property, plant and equipment. The carrying amount of inventories written off during repair, technical maintenance and emergency liquidation are recorded in the statement of profit or loss or added to the carrying amount of assets under maintenance.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Land	
Buildings	25-60 years
Other structures and engineering networks	18-20 years
Gas pipelines and associated equipment	55-70 years
Plant and machinery	5-25 years
Motor vehicles	7 years
Other PP&E	4-10 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The Company has land with indefinite useful life, which is not depreciated.

Construction work in progress includes items of property, plant and equipment that are under construction. The cost of such assets includes designing, construction works, equipment intended for assembly and installation, and other direct costs. Construction work in progress is not depreciated until the construction of asset is completed and the asset is put into operation. Prepayments for non-current assets are classified as non-current assets because they are used in long-term activities and are presented in the balance sheet under the line item 'Construction work in progress'.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment. If any such indication exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable value is the higher of an asset's fair value less costs to sell and the value in use. In assessing the value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation reserve (without exceeding the amount of previous impairment).

2.7. Financial assets

As from 1 January 2018, for the purposes of applying IFRS 9 Financial Instruments, the Company classifies its financial assets into the following 3 new categories:

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income;
- financial assets subsequently measured at fair value through profit or loss.

The classification of financial assets after the initial recognition into the categories described above is based on the business model used by the Company in managing financial assets. The business model applied to the specific category of financial assets is determined at a level reflecting how all categories of financial assets are jointly managed to achieve the Company's specific business objectives. The business model applied is not influenced by the intentions of the Company's management regarding individual measures. The Company can apply more than one business model for managing its financial assets.

The business model applied to financial asset management is based not only on the assertion but rather on the facts that can be seen from the activities the Company is carrying out in pursuit of the business model objectives.

The Group and the Company recognise a financial asset in the statement of financial position only when they become a party to the contractual provisions of the financial instrument, the purchase or sale of the financial asset is recognised or derecognised using the accounting at the trade date.

At initial recognition, the Group and the Company measure the financial assets at fair value, except for trade receivables that do not include a significant component of financing. Initial measurement of financial assets other than those measured at fair value through profit or loss, includes the fair value of the instrument and transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs include all fees and commissions that the Company would not have paid if it had not entered into a financial instrument contract.

If, at initial recognition, the fair value of the financial asset differs from the transaction price, the difference is recognised in profit or loss.

Depending on the business model used to manage the category of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Receivables and loans granted by the Group and the Company are accounted for in accordance with a business model designated to hold financial assets in order to collect the contractual cash flows that may arise from cash flows related to payment of principal amount and interest.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised as current assets, except for the loans and receivables with maturity term of more than 12 months after the date of the statement of financial position, in which case they are recognised as non-current assets.

Loans and receivables are initially recognised at cost (fair value of the amount receivable) and subsequently amortized cost using the effective interest rate method. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

Financial assets measured at fair value through profit or loss

The Group and the Company account for financial assets measured at fair value through profit or loss using a business model, the goal of which is achieved through the collection of contractual cash flows and the sale of financial assets.

The Group and the Company do not have financial assets held for trading that are acquired for the purpose of selling in the near future, and within such category only classify the financial asset that arises on disposal of a business or investment and that represents a non-equity contingent consideration.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income in the income statement over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset that represents the amortised cost of the financial asset before adjustment for any loss allowances. When calculating the effective interest rate, the Company estimates the expected cash flows considering all contractual terms of the financial instrument contract (for example, prepayment, extension, call and similar options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. When calculating the effective interest rate, there is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Company uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Expected credit losses

Credit losses incurred by the Company are calculated as the difference between the total amount of contractual cash flows that are due to the Company under the contract and the total amount of cash flows that the Company expects to receive (i.e. the total cash shortfall) discounted at the original effective interest rate. The Company calculates cash flows based on all contractual terms of the financial instrument over the expected life of that financial instrument, including cash flows from available collateral or other credit enhancement that is inherent in the terms of the contract.

Expected credit losses represent the weighted average credit loss rate based on the relevant default risk (probability).

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the initial recognition of the financial asset to the later date of subsequent settlement and ultimate write-off of the financial asset.

The Company seeks to recognise the expected credit losses for the period before the financial instrument becomes past due. Normally, credit risk increases significantly before a financial instrument becomes past due or other delay factors are observed from the debtor (such as restructuring, bankruptcy, other economic difficulties of a client, etc.). Therefore, if there is a considerable amount of cost or effort to obtain reasonable and reliable information that is more forward-looking than past due payments, it should be based on the assessment of credit risk changes.

Expected credit losses are recognised based on individually or collectively assessed credit risk of loans and trade receivables, the assessment of which is based on all reasonable and supportable information, including forward-looking information.

Lifetime expected credit losses of trade receivables are assessed individually. The Company's management makes decision on individual assessment based on the availability of information about the credit history of a particular debtor, the financial condition at the assessment date, including forward-looking information that would allow timely identification of a significant increase in credit risk of a particular debtor, thereby enabling a decision to be taken on recognition of lifetime expected credit losses in respect of a particular debtor.

Lifetime expected credit losses for trade receivables are recognised at the time of recognition of receivables.

At the time of issuing a loan, the Company assesses and accounts for 12-month expected credit losses. In subsequent reporting periods, in the absence of a significant increase in the credit risk associated with the borrower, the Company adjusts the balance of 12-month expected credit losses based on the amount of the loan outstanding at the assessment date. If it is determined that the borrower's financial situation has significantly deteriorated compared to the situation at the time of issuing the loan, the Company accounts for all lifetime expected credit losses. The latest moment for the Company to recognise all lifetime expected credit losses in respect of the issued loan is identified when the debtor is late with the payment of instalments or full amount of debt by more than 30 days. If there is other evidence, the Company accounts for all lifetime expected credit losses in respect of the issued loan, without taking into account the assumed delay of payments by more than 30 days. Loans that are subject to lifetime expected credit losses are considered as credit-impaired financial assets.

Credit-impaired financial assets

Financial asset is considered as credit-impaired as a result of one or more events that adversely affect the estimated future cash flows of that financial asset. Evidence of credit-impaired financial asset is based on observations of data on the following events:

(a) significant financial difficulties for the debtor;

(b) breach of contract, such as late payment of instalments or full amount of debt;

(c) a discount granted to the debtor which the lender would not otherwise have granted for economic or contractual reasons related to the debtor's financial difficulties;

(d) increased likelihood of bankruptcy or other financial reorganisation of the debtor;

(e) active market no longer exists for financial assets as a result of financial difficulties;

(f) financial assets are purchased or granted at a significant discount, thereby showing credit losses incurred.

Impairment of financial assets due to credit risk may be determined by several events that may occur simultaneously or sequentially during the life of the financial asset contract.

Lifetime expected credit losses for loans receivable and trade receivables are accounted for through profit or loss using the contra account for doubtful receivables.

Loans receivable and trade receivables are written off when the Company loses the right to the contractual cash flows from the financial assets.

Derecognition of financial assets

A financial asset is derecognised by the Company when:

- the rights to receive cash flows from the asset have expired;
- the rights to receive cash flows are retained, but there is an obligation to pay the full amount to a third party under a 'pass-through' agreement in a short period of time; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset:

  - if the Company fails to retain control of the financial asset, such asset is derecognised by the Company, whereas all the established or retained rights and obligations established or retained at the time of transfer are recognised separately as assets or liabilities.

  - if the Company retains control of the financial asset, it continues recognising it for as long as it retains control of the financial asset.

When assessing whether the Company has retained control of the asset transferred , consideration is given to the capacity of the recipient to sell the asset. If the recipient has in practice the capacity to sell all assets to an unrelated third party unilaterally, and such disposal is not subject to any additional restrictions, it is considered that the Company has not retained the control. In all other cases, the Company retains the control.

Trade payables and other financial liabilities, borrowings

FINANCIAL LIABILITIES, BORROWINGS

Financial liabilities, including borrowings, are recognised initially at fair value, less transaction costs.

Subsequently, financial liabilities are carried at amortised cost using the effective interest rate method. Interest expense is recognised using the effective interest rate method.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, such financial liability is classified as non-current.

Trade payables

Trade payables represent commitments to pay for goods and services acquired from suppliers in the ordinary course of business.

Trade payables are classified as current liabilities if the term of their settlement is no longer than one year; otherwise they are included in non-current liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8. Inventories

Inventories consist of spare parts, consumables, and natural gas contained in the gas pipelines used in the activities and for provision of services. Inventories also include waste or metal scrap which is fit for use and was retrieved from written off items of property, plant and equipment.

Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value.

The cost of inventories includes acquisition price and related taxes that are not subsequently recovered from tax administration authorities and costs associated with bringing inventory into their current condition and location. Other costs are included in the cost of inventories to the extent they are related to bringing inventory into their current condition and location. The cost of inventories is determined net of trade discounts.

The cost of inventories, except for natural gas, is determined using the first-in, first-out (FIFO) method, according to which write-offs are firstly carried out in respect of the same type of inventories that were acquired first.

The cost of inventories which consist of natural gas contained in the gas pipelines is determined using the weighted average costing method. The cost of one unit of energy of natural gas (kWh) is determined by applying the weighted average costing method using the following formula:

the cost of one energy unit of natural gas (kWh) = (opening balance of natural gas (quantity * price) + purchases of natural gas over the period (quantity * price)) / opening balance of natural gas + purchases of natural gas over the period).

On the basis of the price of natural gas calculated as stated above, the balances of natural gas contained in the gas pipelines and the cost of natural gas consumed are estimated.

2.9. Cash and cash equivalents

Cash includes cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

If there are indications that cash and cash equivalents may not be recoverable, an assessment for impairment is carried out. Impairment is recorded in the statement of profit or loss within operating expenses for the period during which it occurred.

2.10. Grants

Grants represent financial and material support provided by the government and the European Union for the specific purpose. Gratuitous assets are also classified as grants.

Grants are recognised when the Company complies with all conditions attached to the grants, as set out in the respective grant agreement, and when there is a reasonable assurance that the grant will be received.

Grants may be of two types:

- grants related to assets;
- grants related to income.

Government grants or grants received from the EU in a form of non-current assets or intended for purchase of non-current assets are considered as grants related to assets.

As from 2017, the Company and the Group introduced changes in their accounting policies for grants. Before 2017, grants for non-current assets were recognised as deferred revenue in the statement of financial position, whereas starting from 2017, grants are recognised by deducting them from the asset's carrying amount. For the purpose of the statement of profit or loss and other comprehensive income, grants are recognised over the useful life of the related asset as a deduction from depreciation expenses.

Accumulated grants receivable are classified as other amounts receivable when, according to the agreement, the European Commission undertakes a commitment to fund strategic projects and there is strong evidence that the funding will be received.

Grants received as a compensation for the expenses or unearned income in the current or previous reporting periods, also all grants other than grants related to assets, are considered as grants related to income. Income-related grants are recognised as utilised to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

For the purpose of the statement of profit or loss, income-related grants are recognised when related costs are incurred, for which the grant was intended to compensate, by adding them to other income. If no connection can be established between the grants and incurred costs or deferred expenses, they are recognised as income during the period they are received or when the Company complies with all the conditions attached to grants, as established in the respective grant agreement, and there is a reasonable assurance that the grant will be received.

2.11. Lease liabilities

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date.

The lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate is determined as the rate at which the Company would be able to borrow funds for the purpose of acquiring certain assets for a respective period.

At the commencement date, the lease payments included in the measurement of lease liability comprise the following payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease

Subsequent measurement of the lease liability

Subsequent to initial recognition, the Company recognises a change in the value of the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any lease modifications or revised lease payments

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate, or if applicable the revised discount rate.

Reassessment of the lease liability

After the commencement date, the Company remeasures the lease liability to reflect changes to the lease payments. The Company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the remeasurement in profit or loss.

<u>Revised discount rate</u>

The Company remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term. The Company determines the revised lease payments on the basis of the revised lease term or, when there is a change in the assessment of an option to purchase the underlying asset, the Company assesses the revised lease payments considering the events and circumstances in the context of a purchase option.

If there is a change in the lease term or in the assessment of an option to purchase the underlying asset, the Company determines the revised discount rate as the lessee's incremental borrowing rate at the date of reassessment.

<u>Unchanged discount rate</u>

The Company determines the revised lease payments for the remaining lease term based on the revised contractual payments.

When discounting the revised lease payments, the Company uses an unchanged discount rate, unless the change in lease payments results from a change in variable interest rates. In that case, the Company uses a revised discount rate that reflects changes in the interest rate.

<u>Lease modifications</u>

The Company accounts for a lease modification as a separate lease if both:

the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Company:

- allocates the consideration in the modified contract;
- determines the lease term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognises in profit or loss any gain or loss relating to the partial or full termination of the lease;
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The Company presents its lease liabilities separately from other liabilities in the statement of financial position. Interest expense on the lease liability is presented separately from the depreciation charge for the right-of-use assets. The interest expense on the lease liability is a component of finance costs recognised in the statement of comprehensive income.

2.12. Long-term employee benefits

<u>(a) Social security contributions</u>

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. The defined contribution is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

<u>(b) Bonus plans</u>

The Company and the Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

<u>(c) Pension benefits to employees of retirement age</u>

Each employee of retirement age who terminates his/her employment with the Group and the Company upon retirement is entitled to receive a payment equal to 2 monthly salaries as stipulated in the Lithuanian laws. A liability for such payments is recognised in the balance sheet and it reflects the present value of these payments at the date of the financial statements. The non-current liability for payments to employees at the date of the financial statements is estimated with reference to actuary valuations using the projected relative unit method. The present value of the defined non-current liability for payments to employees is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.13. Provisions

Provisions are recognised when the Company has a legal obligation or irrevocable commitment, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the estimate of the expenditure required to settle the obligation (the expected value). Where the effect of the time value of money is material, the amount of a provision is discounted using a pre-tax effective interest rate that, if necessary, reflects the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the changes in circumstances.

If the amount of the provision is discounted, the amount reversed at each reporting period is equal to the discounting effect (interest expenses). If circumstance change and the provision is no longer necessary, the provision is reversed in the statement of profit or loss and other comprehensive income through the expense line item where it has been recorded initially at the time of establishment.

Provisions are classified as non-current liabilities, if the Group company's management expects to settle them after twelve months from the date of the statement of financial position, and as current liabilities, if the Group's and Company's management expects to settle them within twelve months from the date of the statement of financial position.

2.14. Income tax

Income tax expense for the period comprises current and deferred income tax.

<u>Current income tax</u>

Current income tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2020 and 2019. Current year income tax may be reduced by tax losses carried forward. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Company discontinues its activities due to which these losses were incurred, except when the Company discontinues its activities due to the reasons that are beyond the Company's control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 years and only be used to reduce the taxable income earned from the transactions of the same nature. Tax losses carried forward can be utilised to reduce the taxable income earned during the reporting year by maximum of 70%. In addition, the Company can take over tax losses from the Group companies, provided it meets the requirements laid down in the Law on Corporate Income Tax.

<u>Deferred income tax</u>

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liability is recognised for all temporary differences that will increase taxable profit in the future, and deferred tax asset is recognised only to the extent it is likely to reduce the taxable income in the future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

The Company's deferred tax asset calculation base includes the following:

- impairment of non-current assets;
- revaluation (impairment) of non-current assets;
- write-down allowance for inventories;
- impairment of amounts receivable;
- long-term employee benefits;
- vacation accruals;
- other accruals;
- income tax relief not utilised on investment projects;
- unutilised tax losses that can be utilised by the Company in the future;
- other.

The Group's deferred income tax liabilities typically include the following:

- revaluation (increase in value) of non-current assets;
- differences in depreciation rates of non-current assets;
- interest capitalisation effects;
- other.

Deferred tax assets are reviewed at each financial reporting date, and if it is not probable that the Group and the Company will generate sufficient taxable profit to realize these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

<u>Current and deferred income tax for the reporting period</u>

Current income tax and deferred income tax are recognised as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognized directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and other comprehensive income respectively.

2.15. Revenue recognition

Revenue is recognised at the moment of transfer/rendering of services to the client at such value that reflects the consideration to be received by the Company in return for the services rendered. There are no complex services that would stand out, nor are there any discounts or incentives applied to the contractual price. Revenue is recognised on an accrual basis, i.e. when earned, when the contractual obligation is settled.

The Company's revenue includes as follows:

- revenue from natural gas transmission and related services;
- revenue from administration of the LNG terminal;
- other income;
- finance income.

Revenue from system users for natural gas transmission services is recognised on a monthly basis with reference to the presented data on the natural gas quantities distributed to the system users connected to the distribution system, and based on the statements of transmitted natural gas that were signed with the system users directly connected to the transmission system.

Revenue from balancing of natural gas transmission system and from disbalance charges is related to management of gas flows in order to ensure operation of the natural gas transmission system in line with an acceptable pressure range.

Revenue from technological balancing of natural gas is related to changes in inventories of natural gas contained in the pipelines. Proceeds from sale of such inventories to a buyer are recorded as revenue when the ownership of gas is passed on to the buyer.

Based on the provisions of Article 5(2) of the Republic of Lithuania Law on Liquefied Natural Gas Terminal, the Company carries out the function of administration of the LNG terminal funds. The administration of the LNG terminal funds is performed in accordance with the Description of the procedure for the administration of funds intended to compensate for the construction and fixed operating expenses of the liquefied natural gas terminal, its infrastructure and connector, including subsequent amendments and supplements thereto (the title was changed on 18 December 2015 under the Commission's Resolution No 03-653 of 17 December 2015), as approved by the Commission's Resolution No 03-294 of 9 October 2012. The Company collects and administrates the LNG terminal funds and acts as an intermediary on behalf of the State, and such activities do not generate any revenue/profit for the Company in the ordinary course of business. The LNG terminal funds, which are collected from the payers of the LNG terminal funds, are transferred to the recipients of the LNG terminal funds: the LNG terminal operator, the designated supplier, and Amber Grid AB. The share of the LNG terminal funds intended solely to cover the administration expenses of the LNG terminal funds is considered as the Company's revenue (Note 17).

The amount of administration of the LNG terminal funds is calculated as the amount of costs that are expected to be incurred, by taking into account the actual costs incurred in the previous periods, and such amount is specified in the NERC's certificate. The LNG terminal funds are not treated as the Company's revenue/expenses, but they are rather accounted for as other receivables/other payables and other financial assets.

Other income

Gain from disposal of property, plant and equipment, lease income, income from default charges and fines collected from the contractors as a result of late fulfilment of work, are recognised by the Company as other income. At the Group level, other income includes the subsidiary's revenue from operations as a natural gas exchange operator.

The amounts collected by the exchange operator for the services provided in the course of trading are recognised as revenue of the exchange operator, based on the following service fees agreed with the NERC:

- Initial registration fee: a one-off fee payable upon becoming an exchange participant ;
- Annual membership fee: a fixed membership fee payable annually by an exchange participant; The annual membership fee is payable for the calendar year (adjusted in proportion to the remaining number of days in a year in case the market participant joins the exchange at some point of time in the course of a year);
- Floating trading fee – a fee estimated as EUR per 1 MWh, which is payable by a participant who is a party to the transaction for the quantity of natural gas purchased and/or sold on the exchange.

Connection fees on connection of new consumers and producers to the gas transmission network

The connection "service" is considered as a component of one performance obligation together with the future gas transmission services, as defined in IFRS 15 Revenue from Contracts with Customers, because the pricing of the connection fee is directly linked to the pricing of the transmission services. Therefore revenue (including the compensation for the connection to the grid) are recognised in profit or loss over time during the useful life (or lives) of the connection assets constructed / built by Company and compensated by a consumer.

Accounting for the connection fees on connection of new producers is based on the accounting policies for grants (IAS 20 Accounting for Government Grants and Disclosure of Government Assistance), and the acquisition cost of the assets is reduced by the amount of the connection fee.

Relocation (reconstruction) of infrastructure facilities owned under the title by the Company upon a customer's request

Upon a customer's request, the Company carries out relocation or reconstruction of infrastructure facilities and incurs related expenses. Such relocation work does not give rise to any economic benefits for the Company, and all expenses related to such work are compensated in full by a customer through acquisition of energy facility relocation service from the Company.

Based on IFRS and the Company's accounting policies, there are two approaches for recognition of such transactions by the Company:

1. When relocation of assets involves substantial improvement of assets. Under IAS 16 *Property, Plant and Equipment*, the relocation expenses incurred by the Company are added to the acquisition cost of the related assets. Accounting for the compensation (i.e. relocation fee) due from a customer is based on the accounting policies for grants (IAS 20 Government Grants and Disclosure of Government) and the acquisition cost of the assets is reduced by the amount of the relocation fee. Since all relocation costs are compensated in full for the Company by a customer, such transaction results in a zero impact on the Company's profit or loss, i.e. the Company neither incurs additional expenses nor earns additional revenue from such transaction.

2. When relocation of assets does not involve substantial improvement of assets. Under IFRS 15 *Revenue from Contracts with Customers*, the Company earns revenue from relocation service (i.e. revenue is recognised at the time of rendering the service) and incurs relocation service expenses (i.e. all costs incurred on relocation of assets are recognised as expenses in the same period as revenue from relocation service). Since all relocation costs are covered in full for the Company by a customer, such transaction results in a zero impact on the Company's profit or loss, i.e. revenue earned by the Company equals expenses incurred by the Company.

Finance income

Finance income represents income earned by the Company from financing activities, such as foreign exchange gain, interest income on deposits, proceeds from fines and late payment interest, interest receivable on loans granted to buyers, gain on disposal of investments, and gain from change in fair value of investments.

2.16. Foreign currencies

Foreign currency transactions are accounted for at the official exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement. Such balances are translated at the period-end exchange rates.

2.17. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value measurement hierarchy described below. The fair value measurement hierarchy is based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group's and the Company's financial assets not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans granted and borrowings.

The fair value is defined as the price at which on a valuation date an asset would be sold, under proper transaction, between market participants. The fair value of a financial asset is not less than the amount discounted from the first day when its payment becomes due.

As at 31 December 2020 and 2019, the carrying amount of the financial assets approximated their fair value.

2.18. Contingencies

Contingent liabilities are not recognised, but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.19. Events after the end of the financial year

Events after the end of the financial year that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the end of the financial year that are not adjusting events are disclosed in the notes when material.

2.20. Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for those cases where a certain standard specifically permits or requires such offsetting.

3. ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to measurement of depreciation and impairment of property, plant and equipment (Notes 2.6 and 5) and deferred income tax assets (Notes 2.13 and 20). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

3.1. COVID-19 impact on key accounting estimates, assumptions and estimation uncertainties

Below is a summary of key areas considered by the Company during the assessment of COVID-19 impact:

Due to the threat of spread of the coronavirus (COVID-19), the Group and the Company reviewed and implemented the following business continuity and preventive measures: appointed employees responsible for monitoring and reporting the situation to the Company's management; identified business units and employees undertaking the critical functions and administrating the main systems; implemented additional organisational measures at the system operation centre; planned technical and substitution measures in case of spread of the virus. The Company continuously reviews its emergency management plan, and carries out preparatory works for ensuring continuity of the critical functions.

The quantities of transported gas increased during a 12-month period in 2020 compared to the same period in 2019, and accordingly, no decline in revenue was identified due to the impact of COVID-19. In the opinion of the Company, other factors (temperature fluctuations, market prices of natural gas) have a more significant impact on the demand for ordered services than the restrictions imposed as a result of a quarantine situation.

Given a volatile nature of the outbreak and the resulting uncertainties, the impact of factors related to COVID-19 pandemic on the Company's performance and results of operations was assessed and updated on a continuous basis. The Company's management assessed the potential disruptions in cash flows, rendering of regulated services, availability of funding, also the impact on the demand for services, risk of infection of employees fulfilling critical functions and risk of late fulfilment of projects, based on the analysis of information available as at the date of issue of the financial statements about the COVID-19-related threats in the future, and did not identify any material circumstances that might cast doubt upon the Company's ability to continue as a going concern. It is practically impossible to assess reasonably the assumptions used in the scenario of long-term negative impact as at the date of issue of the financial statements.

Net book amount and useful life: property, plant and equipment and intangible assets

The management reviewed the useful lives of non-current assets to make sure they reflect the expected nature and purpose of use of those assets, in view of potential COVID-19 impact on those assets. Such review was based on the expected economic events and circumstances that might potentially lead to COVID-19 pandemic in the future. As a result of the review, the management did not identify any material disruptions in the usage of property, plant and equipment neither in the short-term nor in the long-term perspective.

Given the fact that no negative impact of COVID-19 has been identified on the results of operations and cash flows, the Company's management believes there are no indications of impairment of property, plant and equipment. Even an adverse change in the results of operations or cash flows in a short term would not cause negative impact on the cash flows and impairment of PP&E in a long-term perspective due to the regulatory mechanism in place.

Expected credit losses: financial assets

When determining the expected credit losses resulting from COVID-19 impact, the Company's management took into account the past events, the present and future economic conditions that were known as at the date of issue of the financial statements.

Monitoring of the Company's key customers has not resulted in identification of any material negative impact of COVID-19.

The Company projects no liquidity or credit risk issues. The Company's key customers are large companies, which are often regulated and/or included into the list of risk-free companies. Due to the specific nature of the Company's customers, the expected credit losses on amounts receivable are assessed individually with reference to the probability of default by customers. The Company assessed the current and expected economic condition of its key customers, did not identify any significant variances, and the settlements were performed in an ordinary manner. The expected credit losses remained at a similar level as in 2019. The Company plans to update its risk assessments regularly, upon changes in an economic environment, and takes measures to strengthen control over payments.

In the opinion of the Company, the outbreak of COVID will have no material impact on the Company's results of operations and cash flows in a short-term perspective. In a long-term perspective, doubtful debt expenses resulting from COVID-19 (if any) will be refunded to the Company (through a regulatory mechanism) and will be compensated during the later regulatory periods for determining the prices of regulated services.

Determining the fair value and recoverable amount of property, plant and equipment: property, plant and equipment

The management reviewed the key assumptions used in determining the fair value and recoverable amount of property, plant and equipment and did not identify any circumstances that as result of COVID-19 would require to make significant adjustments to the management's forecasts for the period 2021-2025, and to the discount rate compared to the rates that were used for the purpose of the annual financial statements for 2020. In addition, in view of the relevant information and long-term forecasts, no significant change is expected in the rate of return on investment, nori s any significant change expected due to COVID-19 in the regulatory environment and the scope of services rendered. The management did not identify any circumstances related to COVID-19 pandemic that might result in material change in the property, plant and equipment measured at revalued amount.

3.2 Analysis of the need for revaluation of property, plant and equipment and impairment as at 31 December 2020

The Company accounts for property, plant and equipment pertaining to the operating segment of the transmission services at revalued amount. The Company assesses at least annually whether there is any indication that the value of property, plant and equipment might differ significantly from its fair value. If such indication exists, the Company carries out an impairment test and revaluation. As at 31 December 2020, no significant changes were identified in the operating segment of transmission services, and accordingly, no revaluation was carried out and reported (Note 5).

3.3. Provisions for easement and special land use conditions (protected areas)

In the financial statements for the period ended 31 December 2020, a provision was established for non-current liabilities in relation to the commitment to register the special land use conditions (protected areas). On 6 June 2019, upon adoption of the Lithuanian Law on Special Land Use Conditions effective from 1 January 2020, the legal regulation was partially changed in respect of application of special land use conditions (including not only the protected areas, but also the main pipeline class location areas) in the areas (land parcels) adjacent to the infrastructure objects owned by the Company, also in respect of their establishment, registration and payment of compensations. However, upon adoption of the Law, no implementing legal acts were adopted that would regulate the simplified procedures for establishing the areas subject to the special land use conditions, their registration and payment of compensations, based on which the need for resources could be estimated, including the financial commitments of the entities. As there was no clear legal regulation, the provision for commitment to register the land use conditions was not established upon adoption of the Law in 2019. Enforcement of the Lithuanian Law on Special Land Use Conditions requires an amendment to the Regulations of the Real Property Cadastre, which came into force on 12 February 2020. The amendment stipulated an alternative way for registering the protected areas (thereby avoiding the need to modify the cadastre data and to hire the land surveyors). The newly introduced procedure under the Law for registering the main pipeline class location areas is expected to come into force in 2023.

When assessing the amount of the commitment, the expected term of its fulfilment is taken into account. The provision for the commitment to register the protected areas was recognised at a present value of the expected costs of registration of the special land use conditions (the protected areas), discounted over the term of fulfilment of the commitment.

The Ministry of Environment has prepared the Methodology for calculation and payment of compensation on application of special land use conditions in the areas established in the public interest as set out in the Lithuanian Law on Special Land Use Conditions. The Methodology came into force on 8 April 2020. Based on the official letter of 18 June 2020 of the Lithuanian Minister of Energy, the provisions of the Methodology are effective for both the currently existing network and the newly constructed network. Based on the provisions of the Methodology, the compensations for the protected areas would be become payable upon registration of the protected areas, which means that based on the simplified procedure they would be payable after 2023.

Upon establishment and/or registration of areas (the protected areas) that are subject to the special land use conditions, it will then be possible to calculate the compensations to the owners and users of land and other real property, or individuals who are otherwise entitled to the compensation upon submission of applications and documents supporting the losses, with each case assessed individually. The amount of the compensation is a matter of judgement, by taking into account the main purpose of use of the land parcel, the scope of restrictions imposed, the specific losses incurred and/or being incurred by the landowners as indicated in the application with the supporting documents, and other circumstances. Based on the requirements of the Methodology and the data available to the Company, the Company is not able to estimate reliably the compensations payable in the future for registered special land use conditions (the protected areas). Under the requirements of IAS 37, the above-mentioned commitment does not meet the recognition criteria of a provision, and therefore, no provision has been recognised in the financial statements.

3.4. Impairment of non-financial assets

The Company's non-financial assets are assessed for impairment whenever events and circumstances indicate that the value of assets may not be recoverable. Where the net book amount of an asset exceeds its recoverable amount, impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). A reversal of an impairment loss recognised in prior periods is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has materially decreased. Reversal is recognised in profit or loss under the same line item as impairment loss. Intangible assets with indefinite useful life are not amortised, but tested for impairment annually on individual basis or at the level of a cash-generating unit.

3.5. Deferred tax assets

Deferred tax assets were estimated by the Company based on long-term forecasts, when sufficient taxable profit will be available to the Company against which the deferred tax assets can be realised. As the Company fulfils the projects that meet the definition of an investment project, it applies income tax relief consistently. The Company's taxable profit is reduced during the tax period by the amount of actually incurred costs related to acquisition of a qualifying asset. If the amount of costs exceeds the amount of taxable profit calculated for the tax period, the excess amount of such costs can be carried forward over the next four tax periods in a row to reduce the calculated amounts of taxable profit, with such carried forward costs reduced accordingly. In the opinion of the Company, the investment relief will be utilised in full over the next four tax periods in a row, and sufficient taxable profit will be available to the Company against which the assets can be realised. As at 31 December 2020, deferred tax assets in amount of EUR 3,923 thousand were recognised on investment relief not utilised.

See Note 2.14 for the items included in the deferred tax asset calculation base.

3.6. Lease contracts

At inception, the newly entered lease contracts are assessed whether a contract is, or contains, a lease, i. e. whether the contract conveys the right to control the use of the identified asset for a certain period, and components of the contract. Assessment of such newly entered lease contracts involves consideration of the following: impairment of right-of-use assets, changes in option to purchase the underlying assets, modifications to lease contracts, other assumptions that affect the value of lease liabilities. In the opinion of the Company, there were no indications of impairment of right-of-use assets, nor were there any changes in the assessment of the option to purchase the underlying assets. As the Company assessed the lease terms and the options to extend the lease, the Company reviewed the lease term of office premises and remeasured the lease liabilities based on reasonably certain information that the option to extend the lease will not be exercised in respect of the currently lease office premises, see Note 8.

4. SEGMENT REPORTING

The Group has two operating segments: 1) natural gas transmission services and 2) natural gas exchange operator's activities. All non-current assets of the Group are domiciled in Lithuania, where the Group operates.

In 2020, the Group generated 72% (2019: 70%) of its total revenue from the system users in Lithuania, 25% (2019: 30%) of its total revenue from transportation of gas to the adjacent transmission systems, and 3% of its total revenue from the natural gas exchange services.

The table below contains the Group's information on the operating segments for the period ended 31 December 2020:

2020	Gas transmission activities	Gas exchange activities	Total
Revenue	50.831	1.503	52.334
Revenue after elimination of intercompany revenue	50.831	1.455	52.286
Operating profit (loss)	14.157	792	14.949
Finance income (costs), net	(360)	(3)	(363)
Profit (loss) before income tax	13.797	789	14.586
Income tax	3.635	(51)	3.584
Net profit (loss)	17.432	738	18.170
Depreciation and amortisation expenses	(10.934)	(192)	(11.126)
Write-offs of property, plant and equipment	(25)	(15)	(40)

The table below contains the Group's information on the operating segments for the period ended 31 December 2019:

2019 [1]	Gas transmission activities	Gas exchange activities	Total
Revenue	55.080	595	55.675
Revenue after elimination of intercompany revenue	55.076	543	55.619
Operating profit (loss)	15.036	39	15.075
Finance income (costs), net	(339)	(2)	(341)
Profit (loss) before income tax	14.697	37	14.734
Income tax	(2.160)	(2)	(2.162)
Net profit (loss)	12.537	35	12.572
Depreciation and amortisation expenses	(10.032)	(127)	(10.159)
Write-offs of property, plant and equipment	84	-	84

[1] The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

As at 31 December 2020, there were three customers of the Group each generating over 10% of the Company's total revenue. Such revenue totalled EUR 33,962 thousand, whereof:

Customer A – EUR 12,725 thousand;

Customer B – EUR 12,326 thousand;

Customer C – EUR 8,911 thousand;

As at 31 December 2019, there were three customers of the Group each generating over 10% of the Company's total revenue. Such revenue totalled EUR 40,120 thousand, whereof:

Customer A – EUR 16,488 thousand;

Customer B – EUR 14,114 thousand;

Customer C – EUR 9,518 thousand.

Amber Grid

5. INTANGIBLE ASSETS

Movements on intangible assets account during the current and previous reporting period were as follows:

Group	Patents, licences	Computer software	Other intangible assets	Pro-tected areas	Total
At 1 January 2019	**159**	**2.525**	**15**	**-**	**2.699**
Cost	279	2.718	27	-	3.024
Accumulated amortisation	(120)	(193)	(12)	-	(325)
Net book amount at 1 January 2019	**159**	**2.525**	**15**	**-**	**2.699**
Additions	-	1010	106	-	1.116
Write-offs	-	-	-	-	-
Amortisation	(55)	(800)	(11)	-	(866)
Offsetting of grants against non-current assets	-	(39)	-	-	(39)
Net book amount at 31 December 2019	**104**	**2.696**	**110**	**-**	**2.910**
Cost	279	3.689	133	-	4.101
Accumulated amortisation	(175)	(993)	(23)	-	(1.191)
Net book amount at 31 December 2019	**104**	**2.696**	**110**	**-**	**2.910**
Additions	3	761	133	2.179	3.076
Write-offs	-	(15)	-	-	(15)
Amortisation	(39)	(889)	(33)	-	(961)
Offsetting of grants against non-current assets	-	(177)	-	-	(177)
Net book amount at 31 December 2020	**68**	**2.376**	**210**	**2.179**	**4.833**
Cost	255	3.533	261	2.179	6.228
Accumulated amortisation	(187)	(1.157)	(51)	-	(1.396)
Net book amount at 31 December 2020	**68**	**2.376**	**210**	**2.179**	**4.833**

Company	Patents, licences	Computer software	Other intangible assets	Pro-tected areas	Total
At 1 January 2019	**41**	**2.213**	**5**	**-**	**2.259**
Cost	41	2.213	5	-	2.259
Accumulated amortisation	-	-	-	-	-
Net book amount at 1 January 2019	**41**	**2.213**	**5**	**-**	**2.259**
Additions	-	799	-	-	799
Write-offs	-	-	-	-	-
Amortisation	(27)	(725)	(5)	-	(757)
Offsetting of grants against non-current assets	-	(39)	-	-	(39)
Net book amount at 31 December 2019	**14**	**2.248**	**-**	**-**	**2.262**
Cost	41	2.973	5	-	3.019
Accumulated amortisation	(27)	(725)	(5)	-	(757)
Net book amount at 31 December 2019	**14**	**2.248**	**-**	**-**	**2.262**
Additions	-	719	-	2.179	2.898
Write-offs	-	-	-	-	-
Amortisation	(11)	(783)	-	-	(794)
Offsetting of grants against non-current assets	-	(177)	-	-	(177)
Net book amount at 31 December 2020	**3**	**2.007**	**-**	**2.179**	**2.010**
Cost	14	2.790	-	2.179	4.983
Accumulated amortisation	(11)	(783)	-	-	(794)
Net book amount at 31 December 2020	**3**	**2.007**	**-**	**2.179**	**4.189**

The Group's part of intangible assets with the cost of EUR 19 thousand as at 31 December 2020 (2019: EUR 57 thousand) was fully amortised but still in use.

As at 31 December 2020, the Company recognised a provision of EUR 2,179 thousand and the related intangible assets for the establishment of the special land use conditions (protected areas). The provision was established under the amendments to the Regulations of the Real Property Cadastre, which were necessary for the establishment of a commitment to form a register of protected areas, as set out in the Lithuanian Law on Special Land Use Conditions, by the year 2023, and based on the Description of the procedure for preparation and approval of the protected areas, approved under the Lithuanian Energy Minister's Order No. 1-339 of 13 October 2020. Discounting of the provision was based on a discount rate of 0.62%.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is accounted for by the Group and the Company by deducting the grants received/receivable for the acquisition of the assets from the revalued amount of those assets.

In 2020, the construction works of the gas interconnection between Poland and Lithuania were started. The value of the construction works, construction materials and other services acquired during 2020 for the implementation of the project amounted to EUR 76,977 thousand, and the amount of recognised grants receivable was EUR 34,437 thousand. The project was reported within the category of construction work in progress.

In the statement of profit or loss, the depreciation of grants was recognised by offsetting the depreciation charges of the related assets against the grant income, and amounted to EUR 2,646 thousand as at 31 December 2020 (31 December 2019: EUR 2,460 thousand).

Movements on the PP&E account during the reporting and previous period were as follows:

Group	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	Total
At 1 January 2019	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.124**	**10.102**	**200.031**
Cost (revalued amount)	125	5.288	141.518	39.922	952	2.129	10.102	200.036
Accumulated depreciation	-	-	-	-	-	(5)	-	(5)
Net book amount at 1 January 2019	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.124**	**10.102**	**200.031**
Additions	-	-	23	34	40	276	16.850	17.223
Disposals and write-offs	-	(25)	(93)	(5)	-	(3)	-	(126)
Acquired from inventories	-	-	3	-	-	-	-	3
Written off as inventories	-	-	(159)	-	-	-	-	(159)
Reclassifications	-	241	19.114	2.146	-	2392	(23.893)	-
Depreciation	-	(246)	(4.115)	(3.510)	(219)	(1.038)	-	(9128)
Offsetting of grants against non-current assets	-	(75)	(8.521)	(873)	-	(1.114)	4101	(6482)
At 31 December 2019	**125**	**5.183**	**147.770**	**37.714**	**773**	**2.637**	**7.160**	**201.362**
Cost (revalued amount)	125	5.429	151.885	41.224	992	3.679	7.160	210.494
Accumulated depreciation	-	(246)	(4.115)	(3.510)	(219)	(1.042)	-	(9.132)
Net book amount at 31 December 2019	**125**	**5.183**	**147.770**	**37.714**	**773**	**2.637**	**7.160**	**201.362**
Additions	-	-	74	12	-	707	88.034	88.827
Disposals and write-offs	-	(10)	(2)	(5)	(24)	(9)	-	(50)
Acquired from inventories	-	-	130	-	-	-	-	130
Written off as inventories	-	-	(31)	(1)	-	-	-	(32)
Reclassifications	-	634	2.951	283	-	838	(4.706)	-
Depreciation	-	(380)	(4.733)	(3.420)	(207)	(987)	-	(9.727)
Offsetting of grants against non-current assets	-	-	(156)	-	-	(15)	(38.715)	(38.886)
At 31 December 2020	**125**	**5.427**	**146.003**	**34.583**	**542**	**3.171**	**51.773**	**241.624**
Cost (revalued amount)	125	5.807	150.736	38.003	749	4.163	51.773	251.356
Accumulated depreciation	-	(380)	(4.733)	(3.420)	(207)	(992)	-	(9.732)
Net book amount at 31 December 2020	**125**	**5.427**	**146.003**	**34.583**	**542**	**3.171**	**51.773**	**241.624**

Company	Land	Buildings	Structures and equipment	Plant and machinery	Motor vehicles	Other PP&E	Construction work in progress	Total
At 1 January 2019	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.121**	**10.102**	**200.028**
Cost (revalued amount)	125	5.288	141.518	39.922	952	2.121	10.102	200.028
Accumulated depreciation	-	-	-	-	-	-	-	-
Net book amount at 1 January 2019	**125**	**5.288**	**141.518**	**39.922**	**952**	**2.121**	**10.102**	**200.028**
Additions	-	-	23	34	40	274	16.850	17.221
Disposals and write-offs	-	(25)	(93)	(5)	-	(1)	-	(124)
Acquired from inventories	-	-	3	-	-	-	-	3
Written off as inventories	-	-	(159)	-	-	-	-	(159)
Reclassifications	-	241	19.114	2.146	-	2.392	(23.893)	-
Depreciation	-	(246)	(4.115)	(3.510)	(219)	(1.038)	-	(9128)
Offsetting of grants against non-current assets	-	(75)	(8521)	(873)	-	(1114)	4101	(6482)
At 31 December 2019	**125**	**5.183**	**147.770**	**37.714**	**773**	**2.634**	**7.160**	**201.359**
Cost (revalued amount)	125	5.429	151.885	41.224	992	3.672	7.160	210.487
Accumulated depreciation	-	(246)	(4.115)	(3.510)	(219)	(1.038)	-	(9.128)
Net book amount at 31 December 2019	**125**	**5.183**	**147.770**	**37.714**	**773**	**2.634**	**7.160**	**201.359**
Additions	-	-	74	12	-	705	88.034	88.825
Disposals and write-offs	-	(10)	(2)	(5)	(24)	(8)	-	(49)
Acquired from inventories	-	-	130	-	-	-	-	130
Written off as inventories	-	-	(31)	(1)	-	-	-	(32)
Reclassifications	-	634	2.951	283	-	838	(4.706)	-
Depreciation	-	(380)	(4.734)	(3.420)	(207)	(988)		(9.729)
Offsetting of grants against non-current assets	-	-	(155)	-	-	(14)	(38715)	(38.884)
At 31 December 2020	**125**	**5.427**	**146.003**	**34.583**	**542**	**3.167**	**51.773**	**241.620**
Cost (revalued amount)	125	5.807	150.737	38.003	749	4.154	51.773	251.347
Accumulated depreciation	-	(380)	(4.734)	(3.420)	(207)	(988)	-	(9.729)
Net book amount at 31 December 2020	**125**	**5.427**	**146.003**	**34.583**	**542**	**3.167**	**51.773**	**241.620**

The Company's part of property, plant and equipment with the acquisition cost of EUR 87 thousand as at 31 December 2020 (31 December 2019: EUR 199 thousand) was fully depreciated but still in use.

In 2020, the Company's capitalised borrowing costs (interest) were added to the cost of property, plant and equipment and amounted to EUR 170 thousand (2019: EUR 47 thousand). In 2020, the annual interest capitalisation rate was 0.443% (2019: 0.480%).

Testing of property, plant and equipment for impairment in 2020

The Company assesses, at least annually, whether there is any indication that the value of property, plant and equipment, which is carried at revalued amount, may be significantly different from its fair value, and conducts an impairment test. The last revaluation of the Company's property, plant and equipment was carried out in 2018, and impairment of EUR 37,686 thousand was recognised by allocating it to assets of gas pipelines and technological equipment.

The Company's property, plant and equipment as at 31 December 2020 amounted to EUR 241,620 thousand, and the value of property, plant and equipment tested for impairment (excluding the value of the GIPL project) was EUR 194,776 thousand. The fair value of those assets was tested by using the discounted income approach by making cash flow projections until 2025 and by adding the discounted terminal value beyond 2025.

The Company's natural gas transmission activities are regulated by the State, and the regulatory decisions have significant impact on the fair value of the assets. The gas transmission prices are regulated by the NERC. The revenue caps for regulated activities can be annually adjusted by the decision of the NERC in accordance with the procedure established in the Methodology for determining revenue from and prices for regulated natural gas transmission activities.

The NERC has approved the Methodology for determining the rate of return on investment (the WACC Methodology), based on which the ROI rate is set for the Company. According to the provisions of the WACC Methodology, the ROI rate applicable to the Company is updated annually by the NERC. In 2020, the NERC updated the WACC Methodology; however, its provisions will become applicable only with effect from the next regulatory period, i.e. from 2024. In the opinion of the management, there were no significant changes in the regulatory environment during 2020.

Key assumptions applied in the impairment test as at 31 December 2020 were as follows:

a) a 3.58% discount rate was used for discounting cash flows;

b) a 3.86% ROI rate was used as by the NERC 2021-2023, and a 4.12% ROI rate was used for 2024-2025 based on the NERC's updated WACC Methodology;

c) the terminal value of cash flows was determined by comparing the ROI rate (pre-tax rate of 4.21%) with the discount rate;

d) the Company's surplus earnings from regulated activities in excess of the established ROI rate arising from increased gas transmission quantities (higher capacities and quantities actually ordered by the system users) and incurred expenditure, after taking into account the operational efficiency achieved during 2019-2020, will reverse in future by cutting the transmission prices for the system users (one-off effect);

e) annual growth rate for indefinite period is not applicable (equals 0).

Considering that the regulatory environment did not experience significant changes during 2020, and taking into account all of the above assumptions, the Company concluded as a result impairment test that there were no indications of impairment of the carrying amount of property, plant and equipment as at 31 December 2020 and that the carrying amount approximated the fair value. In the opinion of the Company's management, one-off fluctuations in the Company's surplus earnings from regulated activities in excess of the ROI rate set by the NERC have no impact on the value of property, plant and equipment, and accordingly, no adjustments for changes in the value are necessary for the accounting purposes.

The major construction work in progress items of the Company as at 31 December 2020 and 2019 were as follows:

Items	At 31 December 2020	At 31 December 2019
Implementation of gas interconnection Poland-Lithuania project in the territory of Lithuania	83.799	6.822
Installation of pig launchers/receivers	4.446	764
Implementation of operative technological control of gas transmission system	2.776	1.970
Construction of the main gas pipeline Vilnius-Kaunas and interconnection Kaunas-Šakiai	551	551
Other	1.691	1.857
Grants recognised (offsetting against non-current assets)	(40.910)	(4.224)
[1] Less: impairment of construction work in progress	(580)	(580)
	51.773	7.160

[1] Impairment of EUR 551 thousand was established for the project 'Construction of the main gas pipeline Vilnius-Kaunas and interconnection Kaunas-Šakiai' (territory planning and engineering design services) because the construction of the gas pipeline was postponed for later periods and uncertainties arose regarding the project funding and further development issues. Impairment of EUR 29 thousand was established for the postponed reconstruction works of a building with a system control centre.

7. INVESTMENTS IN SUBSIDIARY

As at 31 December 2020 and 2019, the Company's investments were as follows:

Subsidiary	Cost	Impairment	Carrying amount	Ownership interest, %
At 31 December 2020				
GET Baltic UAB	769	(94)	675	100
Total	**769**	**(94)**	**675**	
At 31 December 2019				
GET Baltic UAB	769	(94)	675	100
Total	**769**	**(94)**	**675**	

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As described below, the Group and the Company have taken on lease office premises, motor vehicles, and land. Lease periods for premises, motor vehicles and land are 8-9 years, 4 years, and 99 years, respectively. The Group and the Company assessed the probability of exercising the lease extension option when recognising right-of-use assets and lease liabilities, and when determining the lease periods. In November 2020, the Company completed the tendering procedures for procurement of lease of new office premises and announced the tenderer who was awarded the contract. The lease of new office premises is expected to start in October 2021. Based on the supported assumptions that the lease extension option will not be exercised, the Company revised the lease period of premises and re-measured the lease liabilities. As a result of re-measurement, lease liabilities were reduced by EUR 354 thousand, and right-of-use assets were reduced by EUR 353 thousand.

Group	Buildings	Land	Motor vehicles	Total
Initial cost of assets as at 1 January 2019*	**749**	**1.278**	**-**	**2.027**
Additions	152	-	16	168
Write-offs	(30)	-	-	(30)
Depreciation	(148)	(13)	(3)	(164)
Net book amount at 31 December 2019	**723**	**1.265**	**13**	**2.001**
Net book amount at 31 December 2019	**723**	**1.265**	**13**	**2.001**
Additions	4	-	1.119	1.123
Write-offs	(353)	-	-	(353)
Depreciation	(153)	(13)	(270)	(436)
Net book amount at 31 December 2020	**221**	**1.252**	**862**	**2.335**
Initial cost	521	1.278	1.136	2.935
Accumulated depreciation	(300)	(26)	(274)	(600)
Net book amount at 31 December 2020	**221**	**1.252**	**862**	**2.335**

* As at 1 January 2019 and in prior periods, the Company and its subsidiary had no non-current assets acquired under the finance lease contracts.

Company	Buildings	Land	Motor vehicles	Total
Initial cost of assets as at 1 January 2019*	**749**	**1.278**	**-**	**2.027**
Additions	-	-	-	-
Write-offs	(30)	-	-	(30)
Depreciation	(134)	(13)	-	(147)
Net book amount at 31 December 2019	**585**	**1.265**	**-**	**1.850**
Net book amount at 31 December 2019	**585**	**1.265**	**-**	**1.850**
Additions		-	1.119	1.119
Write-offs	(353)	-	-	(353)
Depreciation	(133)	(13)	(266)	(412)
Net book amount at 31 December 2020	**99**	**1.252**	**853**	**2.204**
Initial cost	366	1.278	1.119	2.763
Accumulated depreciation	(267)	(26)	(266)	(559)
Net book amount at 31 December 2020	**99**	**1.252**	**853**	**2.204**

** As at 1 January 2019 and in prior periods, the Company had no non-current assets acquired under the finance lease contracts.*

As the useful life of the right-of-use assets is longer than the lease term, depreciation is calculated from the commencement date of the lease till the end of the lease term.

	Group	
	At 31 December 2020	At 31 December 2019
Carrying amount at 1 January	**2.009**	**2.027**
Lease liabilities recognised under IFRS 16	-	-
Newly entered lease contracts	1.123	168
Terminated lease contracts (write-off of debts and accrued interest thereon)	(354)	(30)
Interest charged	26	23
Lease payments (principal and interest)	(441)	(179)
Carrying amount at 31 December	**2.363**	**2.009**
Non-current lease liabilities	1.953	1.849
Current lease liabilities	410	160

	Company	
	At 31 December 2020	At 31 December 2019
Carrying amount at 1 January	**1.857**	**2.027**
Lease liabilities recognised under IFRS 16	-	-
Newly entered lease contracts	1.119	-
Terminated lease contracts (write-off of debts and accrued interest thereon)	(354)	(30)
Interest charged	24	21
Lease payments (principal and interest)	(416)	(161)
Carrying amount at 31 December	**2.230**	**1.857**
Non-current lease liabilities	1.843	1.719
Current lease liabilities	387	138

Lease liabilities	Group	
	At 31 December 2020	At 31 December 2019
Current lease liabilities	410	160
Non-current liabilities by maturity term:	1.953	1.849
Between 1 and 2 years	310	161
Between 2 and 3 years	312	162
Between 3 and 5 years	84	248
Later than 5 years	1.247	1.278

Lease liabilities	Company	
	At 31 December 2020	At 31 December 2019
Current lease liabilities	387	138
Non-current liabilities by maturity term:	1.843	1.719
Between 1 and 2 years	287	138
Between 2 and 3 years	289	139
Between 3 and 5 years	46	209
Later than 5 years	1.221	1.233

Interest on lease liabilities reflected in the Group's finance costs amounted to EUR 26 thousand as at 31 December 2020 (31 December 2019: EUR 23 thousand).

The Group and the Company had no leases with variable payments not included in the value of lease liabilities.

In 2020, the Group's lease payments amounted to EUR 414 thousand (2019: EUR 179 thousand).

9. INVENTORIES

	Group/Company	
	At 31 December 2020	At 31 December 2019
Raw materials, spare parts and other inventories	734	787
Natural gas	1.443	1.651
Assets held for resale	-	-
Inventories, gross	2.177	2.438
Less: write-down allowance	(280)	(319)
	1.897	**2.119**

Changes in the purchase prices of natural gas had impact on changes in inventories of natural gas during 2019-2020.

The acquisition cost of the Company's inventories stated at net realisable value as at 31 December 2020 amounted to EUR 734 thousand (31 December 2019: EUR 787 thousand). Inventory write-down allowance was included in other expenses.

10. AMOUNTS RECEIVABLE

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Non-current trade receivables				
Other trade receivables	-	-	-	-

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Current trade receivables				
Amounts receivable for natural gas transmission	5.745	5.508	5.799	5.524
Other trade receivables	2.195	422	122	411
Less: impairment allowance for trade receivables	(70)	(70)	(70)	(70)
	7.870	5.860	5.851	5.865
Other amounts				
Receivable LNG terminal funds under administration	12.834	16.020	12.834	16.020
Grants receivable	25.628	2.754	25.628	2.754
Contract assets	965	541	965	541
Other amounts receivable	80	76	78	73
Total other amounts receivable	39.507	19.391	39.505	19.388
Total amounts receivable	**47.377**	**25.251**	**45.356**	**25.253**

Current trade receivables are interest free and their settlement term is typically between 9 and 30 calendar days. Impairment of EUR 41 thousand was established for heat generation company Geoterma UAB, and impairment of EUR 30 thousand was established for Geros Dujos UAB.

As at 31 December 2020, the total overdue amount in the balance of receivable LNG terminal funds under administration was EUR 5,253 thousand (31 December 2019: EUR 4,701 thousand), whereof the overdue amounts of Achema AB, Geros Dujos UAB, and Geoterma UAB and others were EUR 5,168 thousand, EUR 19 thousand, EUR 65 thousand, and EUR 1 thousand, respectively. See Note 24 Off-balance sheet commitments and contingencies for more information about the overdue amounts from Achema AB. The Group does not recognise impairment for the LNG terminal receivables, since the LNG terminal funds are not treated as assets of the LNG terminal administrator based on the Description of the procedure for administration of the LNG terminal funds, and therefore, they cannot be subject to debt recovery procedures under the obligations of the LNG terminal administrator that are not related to the administration of the LNG terminal funds.

Grants receivable include support from the EU structural funds to finance the projects implemented by the Company. Support receivable from the EU structural funds to finance the project for construction of gas interconnection between Poland and Lithuania amounted to EUR 24,934 thousand as at 31 December 2020 (31 December 2019: EUR 1,917 thousand.

Contract assets include as follows:

	Company	
	At 31 December 2020	At 31 December 2019
Current contract assets related to transportation of natural gas	965	541
Total contract assets	**965**	**541**

No impairment provision is established for other amounts receivable of the Group.

Movements on the account of impairment provision for amounts receivable of the Group were as follows:

	Individually impaired
Balance at 31 December 2020	70
Balance at 31 December 2019	70

The ageing analysis of the Group's trade and other receivables that have not been identified as impaired as at 31 December 2020 and 2019:

	Trade and other receivables not past due	Trade receivables and other receivables past due					
		Less than 30 days	31-90 days	91-180 days	181-360 days	More than 360 days	Total
At 31 December 2020	41.797	1.725	2.758	-	-	1.097	47.377
At 31 December 2019	20.355	2.506	1.291	-	3	1.096	25.251

The ageing analysis of the Company's trade and other receivables that have not been identified as impaired as at 31 December 2020 and 2019:

	Trade and other receivables not past due	Trade receivables and other receivables past due					
		Less than 30 days	31-90 days	91-180 days	181-360 days	More than 360 days	Total
At 31 December 2020	40.038	1.463	2.758	-	-	1.097	45.356
At 31 December 2019	20.357	2.506	1.291	-	3	1.096	25.253

Within the category of past due more than 360 days, the amount receivable from Achema AB is equal to EUR 955 thousand.

11. OTHER FINANCIAL ASSETS

The Group's other financial assets as at 31 December 2020 consisted of monetary funds collected from extra charge on natural gas transmission price related to natural gas supply security, referred to as the LNG terminal funds, and the funds transferred by the exchange participants. Those funds are collected from the system users, kept on separate bank accounts for LNG terminal funds in compliance with the legal requirements, and are intended for payment to the recipients of the LNG terminal funds: the LNG terminal operator (Klaipėdos Nafta AB), the designated supplier (Ignitis UAB), and the Company to cover the administration costs of the LNG terminal funds. Based on Resolution No. O3E-766 of 25 November 2019 (amendment No O3E-924 of 31 December 2019), an extra charge related to natural gas supply security was set to be effective during the period from 1 January 2020 to 31 December 2020.

The funds of the gas exchange participants consist of funds transferred by the clients of GET Baltic UAB ("the Subsidiary") under the provisions of the Regulation of Trading on the Natural Gas Exchange approved by the Board of the Subsidiary and agreed with the NERC. In order to submit the purchase orders for natural gas, the exchange participants are required to make an advance payment (alternatively submit a bank guarantee) on the gas exchange operated by the Subsidiary, for the amount no less than the value of the expected purchase orders. After trading is closed, the advance payment is treated as a settlement for the natural gas purchased.

	Group	
	At 31 December 2020	At 31 December 2019
LNG terminal funds	3	4
Funds transferred by gas exchange participants	8.684	18.644
	8.687	**18.648**

12. CASH AND CASH EQUIVALENTS

	Grupė		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Cash at bank	767	233	3	197
	767	**233**	**3**	**197**

The Company and the Group keep their cash balances on bank accounts. As at 31 December 2020, the balance of cash was not material due to the Company's and the Group's treasury management policy aimed at maintaining minimum cash balances. As at 31 December 2020, the Company and the Group had no contracts on deposits.

The table below presents the long-term foreign currency credit ratings of the banks in which the Company kept its cash balances as at 31 December 2020:

Bank	Cash at bank at 31 December 2020	Rating agency		
		Moody's	Standard &Poor's	Fitch Ratings
SEB Bankas AB[1)]	2	Aa2	A+	AA-
Swedbank AB1)	1	Aa3	A+	A+

[1)] *The ratings assigned to the parent banks as at 31 December 2020;*

13. RESERVES

Legal reserve

A legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the authorised share capital.

The Company's legal reserve amounts to EUR 5,173 thousand and represents 10% of its authorised share capital (2019: EUR 5,173 thousand, representing 10% of the authorised share capital

Other reserves

Other reserves are formed by the decision of the annual General Shareholders' Meeting regarding the appropriation of profit. These reserves can only be used for business development purposes approved by the General Meeting of Shareholders.

14. BORROWINGS

In May 2018, the Company and OP Corporate Bank pic Lithuanian branch signed an agreement on a long-term loan for amount of EUR 30,000 thousand. As at 31 December 2019, the withdrawn amount of the loan was EUR 30,000 thousand. In June 2020, the Company and the European Investment Bank signed an agreement on a long-term loan to finance the construction of the gas interconnection between Poland and Lithuania in the territory of Lithuania. As at 31 December 2020, the withdrawn amount of the loan was EUR 60,000 thousand.

To balance the liquid funds, on 27 February 2019 the Company and EPSO-G UAB entered into a cash pool contract, based on which the maximum borrowing limit from EPSO-G UAB was set in amount of EUR 15,000 thousand. On 31 March 2020 and 29 June 202, additional arrangements were signed, based on which the maximum borrowing limit was increased up to EUR 35,000 thousand and EUR 40,000 thousand, respectively. As at 31 December 2020, the Company's borrowings amounted to EUR 7,852 thousand.

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Non-current borrowings				
Borrowings from local credit institutions	22.000	30.000	22.000	30.000
Borrowings from international financial institutions	79.565	21.739	79.565	21.739
Current borrowings				
Borrowings from local credit institutions	-	-	-	-
Current borrowings (EPSO-G UAB)	7.852	6.452	7.852	6.272
Current portion of non-current borrowings	10.174	13.618	10.174	13.618
	119.591	**71.809**	**119.591**	**71.629**

As at 31 December 2020, the weighted average annual interest rate on borrowings of the Company and the Group was 0.39% (31 December 2019: 0.49%). The interest rate is linked to variable part of 3-6-month EURIBOR.

The balance of borrowings from Nordic Investment Bank, less the current portion of non-current borrowings, amounted to EUR 19,565 thousand as at 31 December 2020 (31 December 2019: EUR 21,739 thousand).

The balance of borrowings from OP Corporate Bank PLC Lithuania branch, less the current portion of non-current borrowings, amounted to EUR 22,000 thousand as at 31 December 2020 (31 December 2019: EUR 30,000 thousand)

The balance of borrowings from European Investment Bank, before taking into account the current portion of non-current borrowings, amounted to EUR 60,000 thousand as at 31 December 2020.

As at 31 December 2020 and 2019, the Company complied with the covenants set forth in the loan agreements with the above-mentioned banks.

Contractual maturity dates:

	Group			
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
	Borrowings with a fixed interest rate	Borrowings with a fixed interest rate	Borrowings with a variable interest rate	Borrowings with a variable interest rate
2020 m.	-	-	-	19.890
2021 m.	-	-	18.026	10.174
2022 m.	-	-	10.174	10.174
2023 m.	1.475	-	16.420	16.173
2024 m.	2.951	-	3.158	2.174
2025 m.	2.951	-	3.158	2.174
2026 m.	2.951	-	3.158	2.174
2027 m.	2.951	-	3.158	2.174
2028 m.	2.951	-	3.158	2.174
2029 m.	2.951	-	3.158	2.174
2030 m.	2.951	-	3.158	2.174
2031 m.	2.951	-	984	-
2032 m.	2.951	-	983	-
2033 m.	2.951	-	983	-
2034 m.	2.951	-	983	-
2035 m.	2.951	-	983	-
2036 m.	2.951	-	983	-
2037 m.	2.951	-	983	-
2038 m.	2.211	-	983	-
	45.000	**-**	**74.591**	**71.629**

The maturity dates of the Group's borrowings match those of the Company's borrowings.

All borrowings of the Group have been obtained in the euros, and therefore, the outstanding balances of borrowings are denominated in the euros, thereby resulting in no foreign exchange effect.

There are no third-party guarantees or assets pledged by the Company as a collateral for bank borrowings.

Reconciliation of net debt to cash flows from financing activities between 1 January 2019 and 31 December 2020:

	Group			
	Cash	Borrowings	Lease liabilities	Total
Net debt at 1 January 2019	**42**	**(80.124)**	**(2.027)**	**(82.109)**
Change in cash and cash equivalents	191	-	-	191
(Proceeds) from borrowings	-	(10.000)	-	(10.000)
Repayments of borrowings	-	17.976	-	17.976
Change in overdraft	-	339	-	339
Lease payments	-	-	157	157
Other non-cash movements				
Newly entered lease contracts	-	-	(168)	(168)
Adjustment to lease liabilities	-	-	30	30
Other non-cash movements	-	-	-	-
Net debt at 31 December 2019	**233**	**(71.809)**	**(2.008)**	**(73.584)**
Change in cash and cash equivalents	534	-	-	534
(Proceeds) from borrowings	-	(60.000)	-	(60.000)
Repayments of borrowings	-	13.798	-	13.798
Change in overdraft	-	(1.580)	-	(1.580)
Lease payments	-	-	414	414
Other non-cash movements				
Newly entered lease contracts	-	-	(1.123)	(1.123)
Adjustment to lease liabilities			354	354
Other non-cash movements	-	-	-	-
Net debt at 31 December 2020	**767**	**(119.591)**	**(2.363)**	**(121.187)**

	Company			
	Cash	Borrowings	Lease liabilities	Total
Net debt at 1 January 2019	**34**	**(80.124)**	**(2.027)**	**(82.117)**
Change in cash and cash equivalents	163	-	-	163
(Proceeds) from borrowings	-	(10.000)	-	(10.000)
Repayments of borrowings	-	17.976	-	17.976
Change in overdraft	-	519	-	519
Lease payments	-	-	140	140
Other non-cash movements				
Newly entered lease contracts	-	-	-	-
Adjustment to lease liabilities	-	-	30	30
Other non-cash movements	-	-	-	-
Net debt at 31 December 2019	**197**	**(71.629)**	**(1.857)**	**(73.289)**
Change in cash and cash equivalents	(194)	-	-	(194)
(Proceeds) from borrowings	-	(60.000)	-	(60.000)
Repayments of borrowings	-	13.618	-	13.618
Change in overdraft	-	(1.580)	-	(1.580)
Lease payments	-	-	392	392
Other non-cash movements				
Newly entered lease contracts	-	-	(1.119)	(1.119)
Adjustment to lease liabilities	-	-	354	354
Other non-cash movements	-	-	-	-
Net debt at 31 December 2020	**3**	**(119.591)**	**(2.230)**	**(121.818)**

15. CONTRACT LIABILITIES

As a result of retrospective restatement, the funds from connection of new consumers to the gas transmission system were recognised as contract liabilities in amount of EUR 2,268 thousand as at 1 January 2020 (31 December 2020: EUR 1,405 thousand). The contract liabilities to be recognised as revenue within one year are reported as current contract liabilities.

	Company		
	Non-current contract liabilities	Current contract liabilities	Total
Opening balance at 1 January 2019[1)]	**2.215**	**53**	**2.268**
Received/receivable	(810)	(15)	(825)
Recognised as revenue	-	(38)	(38)
Reclassification	(34)	34	-
Closing balance as at 31 December 2019[1)]	**1.371**	**34**	**1.405**
Received/receivable	-	-	-
Recognised as revenue	-	(34)	(34)
Reclassification	(34)	34	-
Closing balance as at 31 December 2020	**1.337**	**34**	**1.371**

[1)] *Restatement for changes in accounting policy of revenue from connection fees of new consumers, see Note 26.*

Contract liabilities included as follows:

	Company	
	At 31 December 2020	At 31 December 2019
Non-current portion of contract liabilities	1.337	1.371
Total non-current contract liabilities	**1.337**	**1.371**
Current portion of contract liabilities	34	34
Advance amounts received on transmission services	34	21
Total current contract liabilities	**68**	**55**
Total contract liabilities	**1.405**	**1.426**

16. PROVISIONS

	Company	
	At 31 December 2020	At 31 December 2019
Provisions for employee pension obligations	548	540
Provisions for registration of protected areas	2.179	-
Carrying amount	**2.727**	**540**
Non-current provisions	2.651	487
Current provisions	76	53

As at 31 December 2020, the Company's and the Group's employee benefit obligations related to payment of one-off benefits to employees leaving the Company at their retirement age amounted to EUR 548 thousand (31 December 2019: EUR 540 thousand). There were no other long-term employee benefits under long-term service obligations as per the collective agreement.

Key assumptions used in assessing the Company's and the Group's long-term employee benefit obligations are given below:

	At 31 December 2020	At 31 December 2019
Discount rate	0,37 %	1,42 %
Annual employee turnover rate	5,99 %	5,37 %
Annual salary growth	3,30 %	4,10 %
Average time to retirement (years)	19,80	19,76

As at 31 December 2020, the Company recognised a provision of EUR 2,179 thousand and the related intangible assets for the establishment of the special land use conditions (protected areas). The provision was established under the amendments to the Regulations of the Real Property Cadastre, which were necessary for the establishment of a commitment to form a register of protected areas, as set out in the Lithuanian Law on Special Land Use Conditions, by the year 2023, and based on the Description of the procedure for preparation and approval of the protected areas, approved under the Lithuanian Energy Minister's Order No. 1-339 of 13 October 2020. Discounting of the provision was based on a discount rate of 0.62%.

17. TRADE PAYABLES

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Payables to suppliers under the investment programme (reconstruction)	4.810	1.440	4.810	1.440
Payables to service providers	2.106	1.280	2.007	1.195
Payables to repair service providers for non-current assets	265	396	265	396
Payables to natural gas suppliers	3.248	3.851	1.069	1.160
	10.429	**6.967**	**8.151**	**4.191**

In relation to assuring the implementation of the strategic project – construction of the gas interconnection between Poland and Lithuania (Note 4) – trade payables to suppliers (contractors) on project works amounted to EUR 3,282 thousand as at 31 December 2020. Trade payables are interest free and their settlement term is typically between 30 and 60 days.

18. ADVANCE AMOUNTS RECEIVED

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Current contract liabilities	68	55	68	55
Grants received in advance	236	1.398	236	1.398
Advance amounts received from gas exchange participants	8.246	15.672	-	-
Other advance amounts received	8	12	8	12
Total advance amounts received	**8.558**	**17.137**	**312**	**1.465**

The Group's advance amounts received amounted to EUR 8,558 thousand as at 31 December 2020 (31 December 2019: EUR 17,137 thousand). They represent advance amounts received for the implementation of the EU investment projects, advance payments for the transmission services, current contract liabilities (Note 15), and advance amounts received from gas exchange participants. The advance amounts received from gas exchange participants are used on the date of settlement of the exchange participants, unless there is a request of a participant not to use the advance amount, thereby reducing the amount payable for gas and exchange services. The advance amount not used in full or in part remains for other settlements of an exchange participant. If an advance amount has not been used by an exchange participant for over 1 year, such amount is refunded to the exchange participant.

19. OTHER AMOUNTS PAYABLE AND CURRENT LIABILITIES

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Payable LNG terminal funds under administration	10.670	13.562	10.670	13.562
Accrued LNG terminal funds under administration *	2.175	2.461	2.175	2.461
Payable real estate tax	453	432	453	432
Payable value added tax	582	501	278	222
Other amounts payable	465	480	405	469
	14.345	**17.436**	**13.981**	**17.146**

*Sukauptos administruojamos SGD terminalo lėšos yra apskaitomos tuomet, kai gamtinių dujų perdavimo sistemos naudotojams išrašoma PVM sąskaita faktūra. Sukauptos administruojamos SGD terminalo lėšos yra priskiriamos mokėtinų SGD terminalo lėšų sąskaitai tuomet, kai AB „Klaipėdos nafta" ir UAB „Ignitis", buvusi UAB „Lietuvos energijos tiekimas" išrašo Bendrovei PVM sąskaitą faktūrą gamtinių dujų tiekimo saugumo papildomai dedamajai prie gamtinių dujų perdavimo kainos.

20. REVENUE

The Group's and the Company's revenue consists of as follows:

	Group		Company	
	2020	2019[1]	2020	2019[1]
Revenue from natural gas transmission in the territory of Lithuania	45.897	45.845	45.897	45.845
Revenue from transmission system balancing services	4.588	8.665	4.588	8.665
Revenue from trading on the exchange	1.356	479	-	-
Grants recognised as revenue	37	164	37	164
Revenue from administration of the LNG terminal funds	65	74	65	74
Other income	343	392	244	332
	52.286	**55.619**	**50.831**	**55.080**
Revenue from contracts with customers include as follows:				
Timing of revenue recognition:				
Revenue is recognised at a point in time upon provision of services	1.301	460	-	-
Revenue is recognised over time	50.673	54.631	50.519	54.548
Total	**51.974**	**55.091**	**50.519**	**54.548**

1) Restatement for changes in accounting policy of revenue from connection fees of new consumers, see Note 26.

21. FINANCING ACTIVITIES

	Group		Company	
	2020	2019	2020	2019
Interest income	-	-	-	1
Interest on late payment	3	10	3	10
Other	-	2	-	2
Total income from financing activity	3	12	3	13
Interest expenses on borrowings	(464)	(400)	(461)	(398)
Capitalised borrowing costs*	170	47	170	47
Other finance costs	(72)	-	(72)	(1)
Total finance costs	(366)	(353)	(363)	(352)
Result of financing activities, net	**(363)**	**(341)**	**(360)**	**(339)**

** Capitalised borrowing rate is calculated as a weighted average interest rate on the Company's non-current borrowings from finance institutions and other borrowings costs.*

22. CURRENT AND DEFERRED INCOME TAX

Income tax expenses include as follows:

	Group		Company	
	2020	2019[1]	2020	2019[1]
Current income tax expenses	(98)	(1.945)	(47)	(1.943)
Deferred income tax benefit (expenses)	3.682	(217)	3.682	(217)
Current income tax benefit (expenses)	**3.584**	**(2.162)**	**3.635**	**(2.160)**

[1] The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

Movements in deferred income tax assets and liabilities (before offsetting the amounts relating to the same tax administration authority) were as follows:

	PP&E revaluation (impairment)	Fees on connection of new consumers	Impairment allowance for receivables and write-down of inventories	Accruals	Investment relief not utilised	Total
Deferred income tax assets						
At 1 January 2019	**2.998**	**340**	**-**	**159**	**-**	**3497**
Recognised in profit or loss	(187)	(129)	58	41	-	(217)
Recognised in other comprehensive income	-	-	-	-	-	-
At 31 December 2019	**2.811**	**211**	**58**	**200**	**-**	**3.280**
Recognised in profit or loss	(165)	(5)	(6)	38	3.923	3.785
Recognised in other comprehensive income	-	-	-	-	-	
At 31 December 2020	**2.646**	**206**	**52**	**238**	**3.923**	**7.065**

	Effect of capitalised borrowings costs	Total
Deferred income tax liabilities		
At 1 January 2019	**-**	**-**
Recognised in profit or loss	-	-
Recognised in other comprehensive income	-	-
At 31 December 2019	**-**	**-**
Recognised in profit or loss	104	104
Recognised in other comprehensive income	-	-
At 31 December 2020	**104**	**104**

Deferred income tax, net as at 1 January 2019	3497
Deferred income tax, net as at 31 December 2019	3280
Deferred income tax, net as at 31 December 2020	6961

	Group		
	At 31 December 2020	At 31 December 2019[1)]	1 January 2019[1)]
Deferred income tax assets:			
Loss on revaluation and impairment of PP&E	2.646	2.811	27.899
Accrued vacation reserve	154	116	79
Accrual for long-term employee benefits	82	81	80
Impairment allowance for doubtful trade receivables and write-down of inventories	52	59	-
Investment relief not utilised	3.923	-	-
Tax losses	-	68	72
Contract liabilities	206	211	340
Other	2	2	-
Deferred income tax assets before valuation allowance	**7.065**	**3.348**	**28.470**
Less: valuation allowance	-	68	72
Less: deferred tax assets offset against deferred tax liabilities	104	-	24.901
Deferred income tax assets, net	**6.961**	**3.280**	**3.497**
Deferred income tax liabilities:			
Difference between the tax base of property, plant and equipment and its carrying amount	-	-	(24.901)
Deferred income tax liabilities, net	**-**	**-**	**-**

	Company		
	At 31 December 2020	At 31 December 2019[1]	1 January 2019[1]
Deferred income tax assets:			
Loss on revaluation and impairment of PP&E	2.646	2.811	27.899
Accrued vacation reserve	154	116	79
Accrual for long-term employee benefits	82	81	80
Impairment allowance for doubtful trade receivables and write-down of inventories	52	59	-
Investment relief not utilised	3.923	-	-
Tax losses	-	-	-
Contract liabilities	206	211	340
Other	2	2	-
Deferred income tax assets before valuation allowance	**7.065**	**3.280**	**28.398**
Less: valuation allowance	-	-	-
Less: deferred tax assets offset against deferred tax liabilities	104	-	24.901
Deferred income tax assets, net	**6.961**	**3.280**	**3.497**
Deferred income tax liabilities:			
Difference between the tax base of property, plant and equipment and its carrying amount	-	-	(24.901)
Deferred income tax liabilities, net	**-**	**-**	**-**

[1] The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

According to the provisions of the Law on Corporate Income Tax (hereinafter - the Law), income tax relief may be applied to investments in qualifying fixed assets. When calculating income tax for the year 2020, the Company and the Group utilised the income tax relief and reduced the income tax expenses for the year 2020 by the total amount of EUR 5,888 thousand (2019: EUR 218 thousand).

Deferred income tax assets and deferred income tax liabilities were offset in the Group's and the Company's statement of financial position as they were related to the same tax administration authority.

When estimating the components of deferred income assets and liabilities in 2020 and 2019, the Group and the Company applied income tax rate of 15%.

The reported amount of current income tax expenses can be reconciled to the income tax expenses that would result from applying a standard income tax rate of 15% to profit before tax:

	Group	
	2020	2019[1]
Profit (loss) before income tax	14.586	14.734
Income tax (expenses) at the effective income tax rate	(2.187)	(2.211)
Non-deductible expenses, non-taxable income	(27)	(11)
Income tax relief	1.965	218
Other	(42)	(56)
Deferred income tax (income tax relief not utilised)	3.922	-
Adjustments to previous year income tax	(47)	(102)
	3.584	**(2.162)**

	Company	
	2020	2019[1]
Profit (loss) before income tax	13.797	14.697
Income tax (expenses) at the effective income tax rate	(2.069)	(2.205)
Non-deductible expenses, non-taxable income	(32)	(11)
Income tax relief	1.965	218
Other	(104)	(60)
Deferred income tax (income tax relief not utilised)	3.922	-
Adjustments to previous year income tax	(47)	(102)
	3.635	**(2.160)**

1) The comparative figures have been restated for changes in accounting policy of revenue from connection fees of new consumers; see Note 26 for a detailed disclosure of the restatement effects.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings (loss) per share reflect net profit (loss) divided by the weighted average number of shares. There are no diluting instruments, therefore, the basic and diluted earnings (loss) per share are the same. Calculation of basic and diluted earnings (loss) per share is presented below:

	Group	
	2020	2019
Net profit attributable to equity holders of the Group (EUR '000)	18.170	12.572
Weighted average number of shares ('000 units)	178.383	178.383
Basic and diluted earnings (loss) per share (EUR)	**0,10**	**0,07**

24. CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES

When calculating cash flows from investing activities in 2020, the Company took into consideration the following: movement in the Company's amounts payable for non-current assets of EUR 3,369 thousand, capitalised borrowings costs of EUR 170 thousand, reclassification of emergency reserve inventories from non-current assets to current assets in amount of EUR 32 thousand (2019: movement in the Company's amounts payable for non-current assets of EUR 1,554 thousand, capitalised borrowings costs of EUR 47 thousand, reclassification of emergency reserve inventories from non-current assets to current assets in amount of EUR 130 thousand).

When calculating grants received for the purpose of cash flows from investment in 2020, the Company took into consideration the movement in grants receivable of EUR 23,998 thousand (2019: EUR 1,039 thousand).

25. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

As the Company carries out its operations, it is exposed to financial risks. By managing the risks, the Group and the Company seek to mitigate the impact of factors that might have an adverse effect on the financial performance. The Company follows the Treasury and Financial Risk Management Policy approved by the Board of Directors.

	Group		Company	
	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Financial assets				
Trade receivables	7.870	5.860	5.851	5.865
Other amounts receivable	67	68	67	68
Cash and cash equivalents	753	233	3	197
Financial assets measured at amortised cost	**8.690**	**6.161**	**5.921**	**6.130**
Other financial assets				
Financial assets measured at amortised cost	8.687	18.648	3	4
Total financial assets	**17.377**	**24.809**	**5.924**	**6.134**

	At 31 December 2020	At 31 December 2019	At 31 December 2020	At 31 December 2019
Financial liabilities				
Borrowings	119.591	71.809	119.591	71.629
Lease liabilities	2.363	2.009	2.230	1.857
Trade payables	10.429	6.967	8.151	4.191
Other amounts payable and liabilities	8.584	17.165	338	1.493
Total	**140.967**	**97.950**	**130.310**	**79.170**

Liquidity risk

Liquidity risk is managed constantly by making short-term and long-term cash flow forecasts of the Group. Where necessary, the Company relies on the forecasts to make decisions aimed at ensuring its solvency, i.e. uses the credit limit on the parent company's cash pool account to balance its liquid funds.

The Company's liquidity ratios (after elimination of effects of the LNG terminal funds under administration) were as follows as at 31 December 2020 and 2019:

	At 31 December 2020	At 31 December 2019
Current ratio	1,16	0,64
Quick ratio	1,11	0,59

he table below contains a breakdown of the Group's financial liabilities by maturity as at 31 December 2020 and 2019 based on the undiscounted contractual payments (payments per schedule including interest):

	On demand	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years	Total
Interest-bearing borrowings and liabilities	-	9.066	9.376	41.409	62.513	122.364
Lease liabilities	-	75	335	706	1.247	2.363
Other liabilities	8.246	60	278	-	-	8.584
Trade payables	-	10.429	-	-	-	10.429
Balance at 31 December 2020	**8.246**	**19.630**	**9.989**	**42.115**	**63.760**	**143.740**
Interest-bearing borrowings and liabilities	-	7.482	12.900	39.412	13.302	73.096
Lease liabilities		28	122	580	1.278	2.008
Other liabilities	15.672	62	1.431	-	-	17.165
Trade payables	-	6.942	25	-	-	6.967
Balance at 31 December 2019	**15.672**	**14.514**	**14.478**	**39.992**	**14.580**	**99.236**

The table below contains a breakdown of the Company's financial liabilities by maturity as at 31 December 2020 and 2019 based on the undiscounted contractual payments (payments per schedule including interest):

	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	After 5 years	Total
Interest-bearing borrowings and liabilities	9.066	9.376	41.409	62.513	122.364
Lease liabilities	69	318	622	1.221	2.230
Other liabilities	60	278	-	-	338
Trade payables	8.151	-	-	-	8.151
Balance at 31 December 2020	**17.346**	**9.972**	**42.031**	**63.734**	**133.083**
Interest-bearing borrowings and liabilities	7.482	12.720	39.412	13.302	72.916
Lease liabilities	22	105	497	1.233	1.857
Other liabilities	62	1.431	-	-	1.493
Trade payables	4.166	25	-	-	4.191
Balance at 31 December 2019	**11.732**	**14.281**	**39.909**	**14.535**	**80.457**

Credit risk

The maximum exposure to credit risk is equal to the amount of trade receivables (except for receivable LNG terminal funds), other amounts receivable, cash, other financial assets, grants receivable and funds transferred by gas exchange participants, less recognised impairment losses. Delays in settlement of significant amounts of trade receivables may affect the Company's ordinary course of business and lead to search of additional financing sources. Credit risk is managed through regular monitoring procedures (individual supervision of debtors, monitoring and analysis of customers in order to identify potential solvency issues that may arise in the future, etc.). The Company has approved the Description of administration of payments for the transmission services, which stipulates the specific actions and deadlines to be followed in order to reduce the outstanding balance of trade receivables. Creditworthiness of all customers is assessed, and in case of any deviations from the criteria set out in the Description of administration of payments for the transmission services, the risk is assessed individually in respect of creditworthiness of each customer, and, if necessary, additional credit enhancements are ensured to eliminate such risk.

The Group's exposure to credit risk arises from cash at bank. The level of exposure depends on the credibility of the selected bank (Note 12). The Group has an effective treasury and financial risk management policy in place.

The policy establishes the credibility level of the banks selected for partnership; the diversification limits for funds kept as deposits or invested in the investment products of banks or their subsidiaries, other securities, etc.

The credibility of the selected partners is assessed according to the procedure established at the Company. The system users assigned with the highest risk level are assessed by engaging an entity that provides specialised creditworthiness assessment services, and an exchange participant willing to make a purchase order is required to provide a credit enhancement (advance payment or bank guarantee).

The Group does not issue guarantees to secure the fulfilment of obligations of other parties.

Interest rate risk

As at 31 December 2020 and 2019, the Group had borrowings with variable interest rates. Exposure to interest rate risk arises from variable interest rates that are linked to EURIBOR. Given the current situation in the market of inter-bank offered rates, the Group did not enter into any transactions on financial instruments intended to manage the interest rate risk during 2020 and 2019.

The table below demonstrates the sensitivity of the Company's profit before tax to theoretically possible changes in EURIBOR interest rates, with all other variables held constant. The Company estimates sensitivity using 100 basis points, which make 1%.

There is no impact on the Company's equity, other than that on current year profit.

	Increase in EURIBOR, b.p.	Impact on profit before tax, EUR '000
At 31 December 2020	+100	(476)

Natural gas price risk

The Group is exposed to a risk arising from changes in the natural gas purchase price. Changes are caused by various fluctuations in global markets. In 2020, the Group did not take any measures to mitigate the natural gas price risk.

Concentration risk

The Company is exposed to significant concentration of credit risk, as the credit risk exposure is distributed among the Company's 10 major customers with trade receivables from them representing 94% of the Company's total trade receivables as at 31 December 2020 (31 December 2019: 94%). However, in the event of loss of customers and lower volumes of transported gas, the prices for gas transportation services would increase as per the Methodology for determining the prices regulated by the State in the natural gas industry, approved by the NERC.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's major financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, current and non-current loans granted and borrowings, and finance lease.

The following methods and assumptions are used by the Company to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade and other amounts receivable, current trade and other amounts payables approximates their fair value (level 3);

b) The fair value of non-current loans granted and borrowings is measured using the interest rate that is currently available for borrowings with the same maturity profile and similar credit risk. The Company determined that the fair value of interest-bearing non-current borrowing approximated their carrying amount (level 3).

26. RESTATEMENT OF COMPARATIVE FIGURES

Effects of change in accounting policy to recognition of revenue from connection of new consumers

Between 2018 and 2020, connection fees on connection of new consumers to the transmission network were recognised as the Company's revenue immediately, i.e. as soon as a new consumer was connected to the transmission system. Such accounting policy was based on the Company's judgement that connection of a consumer is a separate performance obligation, as defined in IFRS 15 Revenue from Contracts with Customers. For this reason, on adoption of IFRS 15, i.e. upon preparation of the financial statements for the period ended 31 December 2018, EUR 1,467 thousand of unamortised connection fees were recognised as retained earnings in the statement of changes in equity.

As from 2020, connection fees on connection of new consumers are recognised as revenue over such period that reflects the best estimate of customer relationship, as opposed to the previously applied revenue recognition approach, when connection fees on connection of new consumers were recognised as revenue immediately. In the opinion of the Company's management, revenue from connection fees is linked directly to rendering of transmission service by the Company in future periods when assets created by the Company will be utilised, because the connection to the grid on its own, without future transmission services, does not provide benefit to a customer.

For the purpose of the financial statements for the period ended 31 December 2020, a retrospective restatement was made for certain line items. As a result of a retrospective restatement, the unamortised part of the connection fee and additional connection fee paid under one specific contract with further amendments in total amount of EUR 2,268 thousand as at 1 January 2019 were recognised as a contract liability. The contract liability for 2019 was reduced by EUR 825 thousand due to the re-assessed additional connection fee. Both aforementioned modifications of the contract were accounted for prospectively, since the contract included a single performance obligation before and after the modifications, which involved rendering a series of transmission services.

Effects of restatement on the Group's financial indicators is presented in the table below (effects on the Company's comparative figures match the effects on the Group's comparative figures):

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION EUR'000	As at 31 December 2019 (before restatement)	Restatement effects	As at 31 December 2019 (after restatement)
A.	Non-current assets	209.346	211	209.557
IV.	Deferred tax assets	3.069	211	3.280
C.	Equity	137.854	(1.194)	136.660
III.	Retained earnings (loss)	11.485	(1.194)	10.291
D.	Amounts payable and liabilities	118.275	1.405	119.680
I.	Amounts payable after one year and non-current liabilities	54.075	1.371	55.446
I.3	Contract liabilities	-	1.371	1.371
II.	Amounts payable within one year and current liabilities	64.200	34	64.234
II.6	Advance amounts received	17.103	34	17.137

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION EUR'000	As at 1 January 2019 (before restatement)	Restatement effects	As at 31 January 2019 (after restatement)
A.	Non-current assets	208.912	340	209.252
IV.	Deferred tax assets	3.157	340	3.497
C.	Equity	131.242	(1.928)	129.314
III.	Retained earnings (loss)	(20.479)	(1.928)	(22.407)
D.	Amounts payable and liabilities	116.490	2.268	118.758
I.	Amounts payable after one year and non-current liabilities	57.688	2.215	59.903
I.3	Contract liabilities	-	2.215	2.215
II.	Amounts payable within one year and current liabilities	58.802	53	58.855
II.6	Advance amounts received	10.099	53	10.152

Effects on the Group's consolidated financial performance is presented in the table below:

	CONSOLIDATED STATEMENT OF PROFIT OR LOSS EUR '000	Group Year ended 31 December 2019 (before restatement)	Restatement effects	Group Year ended 31 December 2019 (after restatement)
I.	Revenue	54.756	863	55.619
III.	**Operating profit**	**14.212**	**863**	**15.075**
V.	**Profit before tax**	**13.871**	**863**	**14.734**
VI.	**Income tax**	**(2.033)**	**(129)**	**(2.162)**
VI.2.	Deferred income tax	(88)	(129)	(217)
VII.	**Net profit (loss)**	**11.838**	**734**	**12.572**

Effects on the Group's consolidated cash flows is presented in the table below:

	CONSOLIDATED STATEMENT OF CASH FLOWS EUR '000	Group Year ended 31 December 2019 (before restatement)	Restatement effects	Group Year ended 31 December 2019 (after restatement)
I.1.	Net profit (loss)	11.838	734	12.572
I.6.	Income tax expenses (benefit)	2.031	129	2.160
I.9	Amortisation of grants (deferred income)	661	(825)	(164)
I.15	Other amounts payable and current liabilities	3.451	(38)	3.413

27. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

Litigations

Currently, the Company has initiated two civil cases regarding the award of extra charge on the natural gas transmission price related to natural gas supply security (the LNG terminal funds) from Achema AB. The Company acts solely as an administrator of the LNG terminal funds and transfers the LNG terminal funds to their recipients only after collecting them from the buyers, and accordingly, the Company does not incur credit risk arising from the disputed amounts.

In addition, litigation procedure is pending regarding the legitimacy of the decisions of the Company's Procurement Commission passed at the time of procurement of contract works for the gas interconnection between Poland and Lithuania (GIPL) project (procurement No. 381642). On 21 May 2020, the Lithuanian Court of Appeal passed a ruling, by which the decision of 28 February 2020 of Vilnius District Court was left unchanged (the outcome of the procurement was left unchanged as well). The claimant has filed an appeal in cassation, which has been accepted and its hearing was held on 27 January 2021 at the Lithuanian Supreme Court. On 3 March 2021, the Lithuanian Supreme Court passed a ruling to repeal the decision of Vilnius District Court of 28 February 2020 and the ruling of the panel of judges from the Division of Civil Cases of the Lithuanian Court of Appeal of 21 May 2020, and to remit the case back to the court of first instance.

Commitments to purchase non-current assets

As at 31 December 2020, the Company and the Group had off-balance sheet contractual commitments to purchase non-current assets for the amount of EUR 44.9 million (31 December 2019: EUR 137.4 million). In 2020, amount of EUR 32.5 million from the total amount of commitments to purchase non-current assets represented commitments to the contractors and equipment suppliers for the gas interconnection Lithuania-Poland (GIPL) project, 44.85% of which is planned to be financed from the EU structural funds. In addition, the Company has a commitment to pay additional compensation of EUR 54.9 million to GAZ-SYSTEM S.A for the construction of the gas interconnection Lithuania-Poland in the territory of Poland. This amount is expected to be financed from the CEF (Connecting Europe Facility) funds representing 50% of the amount, whereas the remaining part will be included into the price of transmission services.

28. RELATED-PARTY TRANSACTIONS

As at 31 December 2020 and 2019, the parent company was EPSO-G UAB. The parent company of the latter was the Republic of Lithuania, represented by the Lithuanian Ministry of Energy. For the purpose of disclosure of related-party transactions, the Republic of Lithuania does not include central or local government authorities. Disclosure includes transactions and their balances with EPSO-G Group companies, the subsidiary, all state-owned enterprises or entities under significant influence of the state (transactions with such entities are disclosed separately only if the amount of the transactions exceeds EUR 100,000 per calendar year), management and their close family members. A list of state-owned enterprises or entities under significant influence, for which a disclosure of transactions is required, is available at: https://vkc.sipa.lt/apie-imones/vvi-sarasas/.

The Group's and the Company's related parties as at 31 December 2020 and 2019 were as follows:

- the Company's parent company EPSO-G, which is wholly owned by the Lithuanian Ministry of Energy;

EPSO-G UAB group companies:

- Litgrid AB (common shareholders);
- Tetas UAB (common shareholders);
- Baltpool UAB (common shareholders);
- The Company's subsidiary GET Baltic UAB;

Ignitis Grupė UAB group companies:

- Energijos Skirstymo Operatorius AB;
- Ignitis UAB;
- Ignitis Gamyba UAB;
- Energetikos Paslaugų ir Rangos Organizacija UAB

Other state-owned enterprises:

- Klaipėdos Nafta AB;
- State Enterprise Ignalina Nuclear Power Plant;
- Geoterma UAB;
- Other state-owned enterprises or entities under significant influence;
- Management.

The tables below present the Company's related-party transactions and their balances as at 31 December 2020 and 2019:

At 31 December 2020

	Group					
	Purchases	Sales	Amounts receivable	Borrowings	Amounts payable	Finance costs
EPSO - G UAB	130	-	-	7.852	18	69
TETAS UAB	16	1	-	-	-	-
Ignitis Gamyba UAB	7[2)]	38.726[2)]	2.068[2)]	-	2.365	-
Energijos Skirstymo Operatorius AB	188	468	49	-	-	-
Ignitis UAB	54.457[2)]	35.848[2)]	3.098[2)]	-	4.693[2)]	-
Transporto Valdymas UAB	358	-	-	-	41	-
Klaipėdos Nafta AB	35.729[2)]	2	-	-	7.240[2)]	-
State enterprise Ignalina Nuclear Power Plant	-	160[2)]	20[2)]	-	-	-
Geoterma UAB	-	-	110	-	-	-
Other state-owned enterprises	73	-	-	-	6	-
	90.958	**75.205**	**5.345**	**7.852**	**14.363**	**69**

At 31 December 2019

	Group					
	Pur-chases	Sales	Amounts recei-vable	Borrow-ings	Amounts payable	Finance costs
EPSO - G UAB	108	-	-	6.452	21	5
TETAS UAB	2	-	-	-	1	-
Ignitis Gamyba UAB	8	21.653	2.037	-	12.242	-
Energijos Skirstymo Operatorius AB	178	941	84	-	2	-
Ignitis UAB	58.329[2]	41.165[2]	4.191[2]	-	4.937[2]	-
Klaipėdos Nafta AB	67.724[2]	2[1]	-	-	10.156[2]	-
State enterprise Ignalina Nuclear Power Plant	-	242[2]	29[2]	-	-	-
Geoterma UAB	-	-	110[2]	-	-	-
Other state-owned enterprises	138	-	-	-	8	-
	126.487	**64.003**	**6.451**	**6.452**	**27.367**	**5**

At 31 December 2020

	Company					
	Pur-chases	Sales	Amounts recei-vable	Borrow-ings	Amounts payable	Finance costs
GET Baltic UAB	3.870[1]	109[1]	54[1]		312[1]	-
EPSO - G UAB	130	-	-	7.852	18	69
TETAS UAB	16	1	-	-	-	-
Ignitis Gamyba UAB	2	19.063[2]	2.068[2]	-	1	-
Energijos Skirstymo Operatorius AB	188	467	49	-	-	-
Ignitis UAB	29.601[2]	27.004[2]	3.097[2]	-	4.155[2]	-
Transporto Valdymas UAB	352	-	-	-	40	-
Klaipėdos Nafta AB	35.729[2]	-	-	-	7.240[2]	-
State enterprise Ignalina Nuclear Power Plant	-	160[2]	20[2]	-		-
Geoterma UAB	-	-	110	-		-
Other state-owned enterprises	67	-	-	-	6	-
	69.955	**46.804**	**5.398**	**7.852**	**11.772**	**69**

At 31 December 2019

	Company					
	Pur-chases	Sales	Amounts recei-vable	Borrow-ings	Amounts payable	Finance costs
GET Baltic UAB	7.072[1]	80[1]	16[1]	-	354[1]	5
EPSO - G UAB	108	-	-	6.272	21	-
TETAS UAB	2	-	-	-	1	-
Ignitis Gamyba UAB	8	19.934[2]	2.037[2]	-	-	-
Energijos Skirstymo Operatorius AB	178	940	84	-	2	
Ignitis UAB	32.284[2]	40.782[2]	4.190[2]		4.184[2]	
Klaipėdos Nafta AB	67.724[2]	-	-	-	10.156[2]	-
State enterprise Ignalina Nuclear Power Plant	-	242[2]	29[2]	-	-	-
Geoterma UAB	-	-	110[2]	-	-	-
Other state-owned enterprises	133	-	-	-	7	-
	107.509	**61.978**	**6.466**	**6.272**	**14.725**	**5**

[1] The Company is a participant of the natural gas exchange operated by Get Baltic UAB and has entered into an agreement on participation on the natural gas exchange. The agreement has standard terms ensuring equal rights to participate on the exchange as those of other participants of natural gas exchange. The amount represents purchases made via the exchange.

[2] Including the LNG terminal funds.

On 30 March 2017, the Company and GET Baltic UAB signed a loan agreement, based on which the Company could grant a loan to GET Baltic UAB for maximum amount of EUR 200 thousand. The loan was subject to variable annual interest rate linked to 1-month EURIBOR plus a fixed margin of 1.5%. The loan was repaid in 2019.

There were no guarantees issued or received for payables to/receivables from related parties, the settlement term was between 15 and 30 days. As at 31 December 2020, the Company neither formed nor recognised any impairment provisions for amounts receivable from related parties.

Compensation to management

	Group		Company	
	2020	2019	2020	2019
Employment-related payments	539	674	455	618
Payments to Board members	38	26	38	26
	577	**700**	**493**	**644**

The management of the Group and the Company is deemed to include the CEO, the Technical Director, the Legal and Administration Director, the Commerce Director, the Organisational Progress Director, and the Finance Director. No loans, guarantees were issued nor were any assets transferred to the management of the Group and the Company.

29. NON-AUDIT SERVICES

In 2020, the audit firm of the financial statements provided tax and accounting consultation services for the amount of EUR 3 thousand. In 2019, the audit firm of the financial statements provided no other services to the Group and the Company.

30. CAPITAL MANAGEMENT

Under the Lithuanian Law on Companies, the Company is required to maintain its equity at no less than 50% of its authorised share capital. In 2020 and 2019, the Company complied with this requirement. There were no other internally or externally imposed capital requirements on the Company.

31. EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no events after the end of the financial year that might have significant impact on the Company's financial statements before the date of approval of the financial statements.